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GOVERNMENT OF INDIA

MINISTRY OF AGRICULTURE

REPORT

OF THE

CO-OPERATIVE PLANNING COMMITTEE APPOINTED BY THE GOVERNMENT OF INDIA ON THE RECOMMENDATION OF THE FOURTEENTH REGISTRARS' CONFERENCE.

BOMBAY

1946

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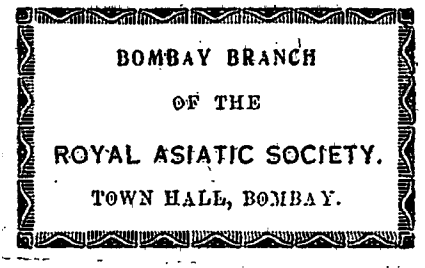

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CX. P. 58.

In Memoriam

Since the Report of the Committee was signed we have learnt with profound grief of the premature and sudden demise of Mr. Wajahat Hussain, Deputy Governor of the Reserve Bank of India. It is our unanimous desire to place on record our deep sense of gratitude to the late Mr. Wajahat Hussain for the invaluable assistance we received from him. Although not a member, he was closely associated with the work of the Committee and brought to bear on it his long administrative experience, his mature judgment and above all, his deep sympathy for the welfare of the rural population of India. By his premature death, the Co-operative movement has been deprived of a true friend who had abiding faith in silent and unostentatious work. By his good humour, sweet courtesy and social charm, he had endeared himself to each one of us and we shall always cherish the memory of the days we spent with him.

R. G. Saraiya (Chairman)

J. C. Ryan

Madhavrao G. Deshpande

A. B. N. Sinha

M. R. Bhide

Siddiq Hasan

S. M. Ikram

Hiralal L. Kaji

J. H. Wilkinson

C. N. Vakil

Sher Jang Khan (Member—Secretary).

December 14, 1945.

TABLE OF CONTENTS

THE REPORT

CHAPTER I

INTRODUCTORY.

Para		Page
1	Appointment of the Committee and the terms of reference ..	1
2	Procedure of work	2
3-4	Meetings	2
5	Acknowledgments and thanks	3

CHAPTER II

CO-OPERATION AND PLANNING.

1-4	Introductory	4
5-6	The history of Co-operative movement in India	5
7	The success of Co-operation—Pre-requisites	7
	(*a*) Responsible democratic Government	7
	(*b*) End of laissez-faire, and State action in matters like support of (agricultural) prices	
	(*c*) Rapid educational development	7
8	The voluntary principle	7
9	Alternatives to compulsion—propaganda, persuasion and privileges	8
10-11	Co-operative Society—medium of democratic planning	9
12	Role of the State in Co-operative Planning	10
13	Role of non-officials in Co-operative Planning	10
14	Ex-servicemen and Co-operative Planning	11
15	Limitations of Co-operation	12
16	Limited progress of Co-operation—causes	12
17	Targets	12

CHAPTER III

AGRICULTURAL PRODUCTION.

1	Introductory	13
2	Resources necessary for increasing agricultural production ..	13
	(*i*) Land	13
	(*ii*) Labour	14
	(*iii*) Livestock	14
	(*iv*) Farm equipment	14
	(*v*) Seed, manure and compost	15
	(*vi*) Irrigation	16
	(*vii*) Transport	17
	(*viii*) Credit	18
	Land tenure	18

Para		Page
3–5	Role of the Co-operative movement in increasing agricultural production	18
6–7	Reorganization of the primary society	19
8–13	Target and cost	20
14–15	Adoption of limited liability as the basis of the reorganized society	22
16–19	Consolidation of holdings	24
20	Large-scale farming—different types	25
21	Collective farming	25
22	State farming	27
23	Corporate farming	27
24	Co-operative farming	27
25–26	Relative merits of different types of large-scale farming	29
27–28	Different forms of co-operative farming societies :	29
	(*i*) Co-operative Better Farming Society	29
	(*ii*) Co-operative Joint Farming Society	30
	(*iii*) Co-operative Tenant Farming Society	32
	(*iv*) Co-operative Collective Farming Society	32
29–36	Recommendations	33
37–43	Fruit and Vegetable growing	33
44	Recommendations	38
45–50	Co-operative Forest Societies	39

CHAPTER IV

ANIMAL HUSBANDRY AND FISHERIES.

1	Introductory	42
2	Cattle Breeding—present position	42
3	Co-operative societies for cattle breeding	42
4–6	Scope for co-operative effort :	43
	(*a*) General	43
	(*b*) Nomadic cattle breeders	44
7–8	Shortage of cattle fodder	44
9	Prevention and treatment of cattle diseases	45
10	Milk	45
11	Co-operative distribution of milk and manufacture of milk products in foreign countries	46
12–15	Co-operation in the marketing of milk in India	46
16–20	Scope for Co-operation in the marketing of milk :	48
	(*a*) In villages and towns	48
	(*b*) In large cities	50
21	Salvaging of dry cattle	51
22	Co-operative Dairy Farms	52
23	Manufacture of milk products	53
24	Sheep breeding	53
25–26	Poultry farming	53
27	Animal products	54
28–29	Fishing Industry—Its present position and scope for development	55
30–31	Co-operative fishery societies	55
32–34	Suggestions for the development of co-operative effort	56

CHAPTER V

AGRICULTURAL MARKETING.

Para		Page
1	Functions of marketing	57
2	Role of middlemen	57
3	Marketing costs	57
4	Indian farmer and marketing disabilities	58
5	Advantages of co-operative marketing	58
6	Organizing a marketing society—enquiries to be made	59
7	Co-operative marketing in foreign countries	59
8–9	Functions which a marketing society should undertake	60
10	Methods of handling and paying for farm products	61
11	Marketing contracts	62
12–18	Present position of co-operative marketing in India—a brief review	62
19–25	Recommendations :	64
	(*A*) Targets	64
	(*B*) Linking of Credit and Marketing	64
	(*C*) Marketing Societies	65
	(*D*) Processing Societies	66
	(*E*) Provincial Marketing Societies	66
	(*F*) All-India Marketing Association	66
	(*G*) Warehousing	67
26	Estimate of Cost (for British India)	67

CHAPTER VI

AGRICULTURAL CREDIT.

1	Conditions precedent to the solution of the problem of agricultural credit :	70
	(*a*) Need for the reorganization of rural economy	70
	(*b*) Relief and rehabilitation in areas of chronic deficit economy	70
2	Gadgil Committee's recommendations :	71
	(*a*) Regulation of money-lending	71
	(*b*) Development of private institutional credit	71
	(*c*) Agricultural Credit Corporation	71
	(*d*) Role of co-operative agencies	72
3	Recommendations—Role of Co-operative movement	74
4	Reorganization of Provincial Co-operative Banks on the lines of the Agricultural Credit Corporation	74

CHAPTER VII

SMALL AND SUBSIDIARY INDUSTRIES.

1–2	Introductory	76
3	The trend of opinion in India	77
4	Experience of foreign countries	78
5	Industrial Co-operation in India—Its present position :	78
	(*A*) Handloom industry	78
	(*B*) Workshop industry	79
	(*C*) Other subsidiary and cottage Industries	80

Para		Page
6–13	Industrial Co-operation in the provinces	80
14–41	Recommendations :	82
15–18	Regional Promotional Agencies—their functions	82
19	Handloom industry—specific recommendation	83
20–21	Rural Electricity Co-operatives	84
22	Cottage Industries for women	85
23–24	Constitution of Regional Promotional Agency	85
25	Federations of Industrial Co-operatives	86
26–28	Jurisdiction of Regional Promotional Agencies	86
29	Cost of a Promotional Agency	86
30	Development of new industries and the Promotional Agency ..	87
31–34	Need for a separate department for industrial co-operative and small industries	87
35–36	Finance required by industrial co-operatives	89
37	Need for creating a fund out of profits	99
38	Questions such as protection and reservation of markets, etc., to be referred to a special committee or the Tariff Board	90
39	Government to give preference to the products of small-scale industries in purchasing their requirements	90
40	Ex-servicemen and Industrial Co-operation	90
41	Financial help by the Reserve Bank of India	91
42	Estimate of Cost (for British India)	91

CHAPTER VIII

LABOUR AND CIVIL CONSTRUCTION.

1—3	Introductory	94
4—7	Labour co-operatives in foreign countries :—France, Italy, Palestine, New Zealand	94
8	Conclusions to be drawn from the study of labour co-operatives abroad	98
9	Labour co-operatives in India—present position	100
10	G. H. Q. Scheme for Civil Construction Co-operatives	101
11	Observations on the G. H. Q. Scheme	102
12	Recommendations	104

CHAPTER IX

CONSUMERS' CO-OPERATION.

1-2	Introductory	106
3	Consumers' movement in Europe	106
4	Consumers' movement in India	107
5	Constitution and working of a primary society in Madras ..	107
6	Constitution and working of a central society in Madras ..	108
7	Causes of the failure of consumers' societies	109
8	Recommendations : Rural Stores	109
9	Workers' and Employees' Stores	110
10–13	Consumers' co-operation in urban areas	110
14	Linking of consumers' stores and producers' co-operatives ..	112
15	Consumers' milk distributing societies	113
16	Ex-servicemen and consumers' co-operatives	113
17	Estimates	113

CHAPTER X

URBAN CREDIT.

Para		Page
1-3	Urban Banks	116
4	Recommendations	117
5-7	Employees' Societies	118
8	Recommendations	118
9-10	Factory Workers' Societies	119
11	Recommendations	119

CHAPTER XI

HOUSING, HEALTH AND BETTER LIVING.

Housing.

1	Introductory	121
2	Special features of the problem of housing in India	121
3-4	Advantages of co-operative housing	121
5-6	Co-operative housing societies—2 types : Tenants' Co-operative Societies—Building Societies	122
7-12	Co-operative housing in foreign countries :	122
	(*A*) Tenants' Co-operative Societies	122
	(*B*) Building (or Building and Loan) Societies	123
13-17	Housing societies in India—present position	124
18-19	Recommendations :	125
	(*A*) Urban housing	125
	(*B*) Rural housing	126

Health and Medical Co-operatives.

20-21	Introductory	129
22-23	Health and Medical Co-operatives in foreign countries	129
24	Health and Medical Co-operatives in India	131
25-28	Recommendations	131

Better Living Societies.

29-30	Introductory	133
31	Recommendations	134

CHAPTER XII

WOMEN AND CO-OPERATION.

1-2	Introductory	135
3-4	Co-operation among women in foreign countries	136
5-6	Co-operation among women in India	137
7	Recommendations	138

CHAPTER XIII

TRANSPORT.

1-2	Transport Co-operatives	140
3	Recommendations	141
4	Co-operative Workshops	141
5	Recommendations	141
6-7	Country Craft Co-operatives	141
8	Recommendations	142

CHAPTER XIV

CO-OPERATIVE INSURANCE.

Para.		Page
1–4	Life Insurance	143
5–6	Life Insurance for rural areas	145
7–8	Insurance for members of land mortgage banks and housing societies	146
9–10	Insurance for depositors and members of co-operative banks	147
11–13	Insurance for industrial workers	147
14	Recommendations	148
15–18	Fire and General Insurance	148
19–20	Recommendations	150
21–26	Cattle Insurance	150
27	Recommendations	151
28–31	Crop Insurance	152

CHAPTER XV

ADMINISTRATION AND LAW.

Administration.

1	Introductory	155
2–4	Constitution and equipment of the Co-operative Department	155
5–6	Functions of the Co-operative Department—organization and supervision	157
7	Inspection	159
8–9	Audit	159
10	Importance of non-official workers and Provincial Co-operative Institutes	161
11	Provincial Co-operative Council—Its constitution and functions	161
12	All-India Council of Co-operation—Its constitution and functions	163

Co-operative Law.

13	Recommendations	164

CHAPTER XVI

EDUCATION, TRAINING AND RESEARCH.

1–2	Introductory	174
3–10	Arrangements for training and research in different provinces	174
11	Recommendations : Co-operative Education	178
12	Co-operative Training	179
13	Provincial Co-operative College	180
14	Syllabus of the various classes	180
15	Research	181

APPENDICES

(*A*) Estimate of State Aid — 189

(*B*) Minute of dissent by Dewan Bahadur H. L. Kaji — 190

(*C*) Minute of dissent by Mr. Siddiq Hasan, I.C.S., and Mr. M. R. Bhide, I.C.S. — 197

(*D*) Summary of Conclusions and Recommendations — 215

CHAPTER I

INTRODUCTORY.

Appointment of the Committee and the terms of reference.

In accordance with the recommendation made in Resolution No. III passed by the 14th Conference of Registrars of Co-operative Societies (1944), the Government of India, Department of Education, Health and Lands, in their letter No. 3936-A| 44-(D), dated the 18th January, 1945, appointed a Committee, its terms of reference being " to draw up a plan of co-operative development." The Committee consisted of the following members :—

1. Mr. R. G. Saraiya, O.B.E. (Chairman),
   Chairman, Bombay Provincial Co-operative Bank Ltd., Bombay.

2. Rao Bahadur J. C. Ryan,
   Joint Registrar, Co-operative Societies, Madras, Madras.

3. Sir Madhavrao G. Deshpande, K.B.E.,
   Managing Director,
   C. P. & Berar Provincial Co-operative Bank Ltd., Nagpur.

4. Rai Sahib A. B. N. Sinha,
   Mithapur,
   Patna.

5. Mr. M. R. Bhide, I.C.S.,
   Registrar,
   Co-operative Societies, Punjab,
   Lahore.

6. Mr. Siddiq Hasan, I.C.S.,
   Registrar,
   Co-operative Societies, United Provinces,
   Lucknow.

7. Mr. S. M. Ikram, I.C.S.,
   Registrar,
   Co-operative Societies, Bombay Province,
   Poona.

8. Dewan Bahadur Principal Hiralal L. Kaji, J.P., I.E.S., (Retd.), President, All-India Co-operative Institutes Association and Indian Provincial Co-operative Banks Association, Bombay.

9. Brigadier J. H. Wilkinson, Director of Resettlement, General Headquarters, Simla.

10. Sir Abdul Halim Ghuznavi, M.L.A., Calcutta.

11. Prof. C. N. Vakil, Economist, Department of Planning & Development, Government of India, New Delhi.

12. Mr. Sher Jang Khan, Chief Officer, Agricultural Credit Department, Reserve Bank of India, Bombay.

Mr. Sher Jang Khan was appointed as Secretary of the Committee. Sir Abdul Halim Ghuznavi did not attend any of the meetings.

Procedure of work.

2. The Committee was not expected to undertake any elaborate enquiries about the working of the Co-operative movement in the past as it was required to complete its work within as short a time as possible. To begin with, the Chairman prepared a note containing the points on which information was required to enable the Committee to formulate its plans. In preparing the note help was obtained from the Agricultural Credit Department of the Reserve Bank of India. Help was also sought from the provincial governments and some important Indian states in collecting material for the preparation of the Report. Simultaneously, a synopsis giving the outlines of the Report for discussion at the first meeting of the Committee was prepared.

Meetings.

3. The first meeting of the Committee was held at Bombay at the Reserve Bank of India, from the 19th to the 22nd March, 1945. The meeting discussed the synopsis and decided to address prominent co-operators, important co-operative institutions and economists in the country for their views on

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* He was nominated as a member of the Committee by the Government of India *vide* letter No. Dy. 3936-A/44 (D), dated the 8th March, 1945.

co-operative planning with special reference to the subjects mentioned in the synopsis. Most of the replies received to our request were considered by the Committee.

4. The first draft of the Report was prepared in the light of the discussions at the first meeting and considered at the second and third meetings of the Committee held at Bombay and at Delhi from the 11th to the 18th July, 1945 and from the 18th to the 24th October, 1945 respectively. The final draft was considered and passed at the fourth meeting of the Committee held at Bombay from the 15th to the 19th November, 1945.

Acknowledgments and thanks.

5. We are indebted to all the provincial governments and some of the Indian states namely, Hyderabad, Mysore, Travancore, Baroda and Porbandar, for extending to us their full co-operation and supplying us the information that we required. We are also indebted to co-operative institutions and co-operators both official and non-official (it will be invidious to mention them individually) who responded to our request and gave the Committee the benefit of their views on the various aspects of the subject under enquiry. We are, in particular, thankful to the Reserve Bank of India for placing the entire staff of the Agricultural Credit Department and its records at our disposal and to its Deputy Governor, Mr. Wajahat Hussain, who gave us very valuable help and guidance at every stage of our work. We should like to place on record our great appreciation of the services rendered by the staff of the Agricultural Credit Department in connexion with the compilation of the data for drafting the Report and attending to other matters relating to the work of the Committee. Our special thanks are also due to Mr. Bhagwan Sahay, O.B.E., Joint Secretary of the Department of Agriculture, Government of India, New Delhi, for attending the first two meetings of the Committee at our special request and offering very helpful and constructive criticism of the proposals under discussion. Finally, we should like to take this opportunity to express our sincere recognition of the work done by our colleague and Secretary, Mr. Sher Jang Khan, who brought to bear on the problems before the Committee his experience in the Agricultural Credit Department, and his knowledge of the working of the movement in practically every part of India.

CHAPTER II

CO-OPERATION AND PLANNING.

Introductory. Co-operation is a form of organization in which persons voluntarily associate together on a basis of equality for the promotion of their economic interests. Those who come together have a common economic aim which they cannot achieve by individual isolated action because of the weakness of the economic position of a large majority of them. This element of individual weakness is overcome by the pooling of their resources, by making self-help effective through mutual aid, and by strengthening the bonds of moral solidarity between them.

2. Co-operation is a form of economic democracy inasmuch as the constitution of a co-operative society is based on the equality of vote of each member. ' One man one vote ' is the ruling principle, no member having more votes on the strength of his stake in the institution. The membership of a co-operative organization is open, without restriction, to all persons who can derive a benefit from it. Further, the democratic outlook is reflected in the principle governing the distribution of profits. Capital gets only a regulated moderate dividend, the surplus being distributed among members, in proportion to their dealings with the undertaking. Rendering the best service to the members and not earning the highest profit is the aim set before a co-operative organization.

3. The need for Co-operation arises principally from a marked consciousness of a common interest in the accomplishment of a definite purpose. " Economic security could conceivably exist with a high degree of material prosperity in the slave State but at the price of slavery."* The Co-operative movement encourages and teaches the citizen to do things for himself on the principle of mutual aid, and secures desirable results while avoiding the tendency to drab uniformity, regimentation and bureaucratization. As distinguished from other forms of social organization, " a co-operative philosophy of society ", it has been observed, " must rest on free, universal association, democratically governed, conditioned by equity and personal liberty."†

4. The Co-operative movement endeavours to strengthen the economic independence of its members by the development of agriculture, the promotion of organized methods of marketing,

* Quoted in " Co-operative Organizations and Post-War Relief ", 1944—International Labour Office—page 1.

† A social Philosophy of Co-operation by J. J. Worley (1942)—page 23

the improvement of industrial processes and by various other activities ; it also aims at the promotion of all possible improvements whether in social customs, education or sanitation, and at the removal of all disabilities which hamper the growth of a rising standard of living. Its main purpose is the promotion of all-round well-being, increased production and better distribution being only the means towards the achievement of that end. It is a moral movement, the co-operative spirit helping to make better men and a better society.

The history of Co-operative movement in India.

5. The Co-operative movement in India which completed forty years of its life in 1944, has passed through many vicissitudes in its endeavour to attain these objects. Four main stages in its history may be distinguished.

(a) The Co-operative movement in India may be said to begin with the passing of the Co-operative Credit Societies Act of 1904. The Act provided only for the formation of credit societies. Special stress was laid on rural rather than urban credit in view of the greater importance of the former in India, credit societies being distinguished as rural or urban according as at least four-fifths of their members were agriculturists or not. Unlimited liability was the rule in rural societies ; in the urban societies the question was left to their option. Societies were subject to audit and inspection by officers deputed by Government and were exempted from payment of income-tax, stamp duties and registration fees.

There was a rapid growth in the number and activities of the societies between 1906 and 1911 and the Act of 1904 was found insufficient to meet the growing needs of the movement. In the first place, it did not give legal protection to societies formed for purposes other than credit. Secondly, the growth in the number of societies and the difficulty experienced in raising capital locally, gave rise to the question of establishing some form of central organization to provide capital to local societies and also to supervise them. These defects were sought to be removed by the Act of 1912 which granted legal recognition to productive and distributive societies and to different forms of central organizations. The distinction between rural and urban societies was abolished and in its place was substituted the classification of unlimited and limited liability societies.

The immediate effect of the new Act was to give a fresh impetus to the growth of the movement. The number of societies, their membership and the amount of working capital increased steadily. New types of societies for the sale of produce, purchase of manure, and the retailing of farm implements and common necessaries, were registered and in most cases seemed to be prospering. Before fostering and supporting further growth, the Government wanted to be sure that the movement was developing on sound lines and appointed the Maclagan Committee in October, 1914, to review the movement. The Report of the Maclagan Committee made far-reaching proposals for the future development of the movement.

(b) Under the Reforms Act of 1919, Co-operation became a provincial transferred subject and was placed under the charge of a Minister. During the early years of the working of the reformed constitution, several provinces made progress on lines most suitable to their special requirements, Bombay giving a lead to other provinces by passing a separate Co-operative Societies Act in 1925. Non-official institutions for propaganda and education were encouraged. Some provinces appointed Committees of Inquiry into the progress of the movement and the Reports of the Royal Commission on Agriculture and of the Central and Provincial Banking Enquiry Committees were noteworthy contributions to co-operative thought and practice. The expansion of the movement was rapid till 1929, when the depression set in and the various defects, which had been noticed by the Maclagan Committee but were partly obscured during the period of rising prices and prosperity, became prominent.

(c) The movement received a set-back with the slump in agricultural prices and the consequent decline in the income of the farmer during the depression which began in 1929. A number of Committees of Inquiry were appointed in different provinces and states to suggest ways and means of reconstructing the movement ; and consolidation, rectification and rehabilitation of the movement rather than expansion, leading to an increase in official control, were the predominant features of this period.

(d) The rise in agricultural prices that took place after the war eased a difficult situation for the movement. There was a general tendency on the part of agriculturists and members of co-operative societies to repay their debts both to the money-lenders and co-operative societies. Again, the deposits with well-managed co-operative banks increased ; but the demands for fresh loans from the affiliated societies became smaller. Consequently, many of the banks were faced with the problem of surplus funds.

As a result of the war, and the consequent introduction of economic controls and food rationing, a stimulus was imparted to the growth of consumers' co-operative stores which were established to obtain foodstuffs at fair prices, and to co-operative marketing.

6. The last period is distinguished by a new spirit of planning. Almost all the plans that have been proposed in recent times like the Bombay Industrialists' Plan, Prof. Agarwal's Plan, the Radical Democratic Party's Plan and the Second Report on Reconstruction Planning issued by the Reconstruction Committee of Council of the Government of India, give an important place to the Co-operative movement as a suitable agency for carrying out a number of their recommendations. The Committee is a direct outcome of this new spirit as Co-operation has a significant role to play in planning the economic life of the country.

7. In drawing up a plan of Co-operative development we have to make certain assumptions without which Co-operation can scarcely succeed in its high mission. These assumptions may be classified as political, economic and educational.

The success of Co-operation—Prerequisites.

First, for the success of Co-operation, a responsible, democratic form of Government is necessary, as it alone creates an atmosphere for the development of individual initiative and sense of responsibility.

(a) Responsible democratic Government.

Again, planning pre-supposes the end of the policy of laissez-faire which has been followed in India and has failed to provide a reasonable standard of living to the people. This means the assumption by the State of enlarged functions in spheres, like education, communications, health, agriculture, industries, etc. Private initiative in the economic field is bound to be greatly restricted in the present stage of development of this country because of the high degree of risk that is involved in all spheres of activity. While the co-operative method of organization is itself a method of reducing the risk to be shouldered by each, by pooling the responsibilities of all, there is a limit beyond which even a co-operative organization cannot go in reducing the risks and hazards of enterprise. For this reason it is essential that the State should intervene and take the necessary measures to reduce the risks inherent in economic life, to a level which private initiative can reasonably be expected to shoulder. While the risks are high in all lines of production, they are particularly serious in the sphere of agriculture, because of the vagaries of the monsoon, the inelasticity of poduction, the large number of small producers and the wide range of price fluctuations. Moreover, the fluctuations in agricultural prices, in particular, unbalance the whole economy of the country since they affect the incomes of more than 70 per cent of the population, thereby affecting the demand for all types of commodities. Besides, they also influence the prices of industrial goods through their effects on the costs of living and on costs of raw material. The position of the agriculturists is rendered particularly helpless in a period of slump of agricultural prices. The State must, therefore, adopt a policy of actively supporting agricultural prices within a range which is fair both to the producer and the consumer, if a slump is to be avoided in the next few years, if stability is to be introduced in the whole economic system, if the risks involved in production, trading and processing are to be reduced to manageable proportions and if the Co-operative movement is to be enabled to compete with other forms of enterprise with greater success. It is, therefore, upon a policy of active economic development by the State that the success of Co-operation will depend.

(b) End of laissez-faire, and State action in matters like support of (agricultural) prices.

Further, the pace of co-operative progress will be governed by the pace of educational progress within the country. In fixing the targets for co-operative development it is necessary to bear in mind the difficulties in the way of rapid educational

(c) Rapid educational Development.

development in India, mentioned in the Report of Central Advisory Board of Education (1944) ; the pace of co-operative development can be accelerated if these difficulties are removed.

The voluntary principle.

8. Before discussing a plan of co-operative development we propose to examine the apparent contradiction between planning and Co-operation. Co-operators have insisted that Co-operation should be based on the voluntary principle. It is, further, argued that planning in Co-operation would mean a departure from this principle inasmuch as some form of compulsion is inherent in planning and that if Co-operation is to find a place in a planned economy, the voluntary principle must undergo modifications. It is interesting to recall in this connexion the resolution passed at the 13th Registrars' Conference (1939) which recommended that " persons should not be compelled to join a co-operative society ; nor should the decision of such society be binding on non-members except in cases involving the provision of some utility service which at least two-thirds majority of those concerned desire." At the 14th Registrars' Conference (1944) the view was taken that where the execution of a plan required action by all members of an economic category or group, it should be made compulsory for all either to join a co-operative society for the purpose or otherwise to carry out the plan. After a careful examination of the views contained in the two recommendations, we have come to the conclusion that the voluntary principle governing admission to the membership of a co-operative society should be respected, and that no one should be compelled to join a society. In certain kinds of co-operative activities like consolidation of holdings, crop protection or irrigation, if compulsion is not introduced, it is likely that what is generally admitted as an object essential for economic progress will not be attained. We, therefore, recommend that in the larger interests of the country, a resolution passed by the members of a co-operative society who form two-thirds of the community affected should be made binding by law on non-members also. For this purpose suitable amendments to the Co-operative Societies Act, on the lines of the Chapter relating to the crop protection societies in the Bombay Co-operative Societies Act, 1925, would be necessary for making provisions for effecting recoveries from non-members and setting up a responsible agency for determining whether a particular scheme is essential. It would also be desirable to provide for referring disputes arising from the working of the scheme to the Registrar or his nominee as under the Co-operative Societies Act.

Alternatives to compulsion — propaganda, persuasion and privileges.

9. We are of the opinion that responsible nation-building departments of the Government with a new outlook will be able by means of education, propaganda, persuasion and demonstration to bring about the organization of co-operative activities along planned lines without resort to compulsion. Planning implies that " in practice we must get the answers right, and

that somehow people must do the things which the planners have planned that they shall do.....First, one way of getting people to carry out our plans is by direct order..... The alternative is to get people to do the work you have planned that they should do, not by direct order on individuals, but by so arranging the conditions and attractions of the work that a suitable number of people voluntarily choose to do it ; out of the range of opportunity open to them, enough people prefer the particular jobs that the plan needs done. Planning by attraction and planning by inducement are always alternatives to planning by direct compulsion ;.....There is a very wide range of motives to which the State can appeal, beginning with public spirit—it has to be put first, even if it is not the most powerful—and ending with financial advantages."* The inducements may take the form of a denial of privileges to those who refuse to join a scheme for an approved purpose. For example, members of a co-operative organization may be offered improved seed, fertilizers, agricultural implements and facilities for land impovement on terms which may be more liberal than those offered to farmers acting individually. There would be perfect justification for such a course as the State would find it easier and more economic to deal with organized units than with unorganized individuals. The State would also find it easier and more economic to supervise and ensure the proper use of the facilities offered by it if it had to deal with a number of organized societies. The idea of implementing a State policy by denial of privileges found its most recent expression in the U.S.A. The U.S.A. Administration wanted to regulate the production of agricultural commodities like cotton. It, therefore, passed the Agricultural Adjustment Act (1933) under which a reduction in the acreage or in the production for market could be effected through agreements with producers or by other voluntary methods. Besides the hope of price enhancement which such reductions held out to farmers, further inducements were offered by rental or benefit payments in such amounts as the Administration deemed fair and reasonable. In practice, payment for agreements to reduce production took a wide variety of forms. This policy of indirect compulsion by denial of concessions has been working successfully ever since. With action of this type coming into vogue, after public opinion has been awakened in support of such a policy, legal compulsion would not be necessary.

Co-operative Society — medium of democratic planning.

10. The co-operative society has an important role to play as the most suitable medium for the democratization of economic planning. It provides the local unit which can fulfil the dual function of educating public opinion in favour of a plan and of executing it. In carrying out its plans, the State will wish to enlist the goodwill of the sections of the community for and through whom planning has to be undertaken. In this task,

* Barbara Wootton in " Can Planning be democratic "—Routledge (1944) —Pages 43-45.

it can derive considerable assistance from a body organized for a definite economic purpose and designed to carry out effectively this work of education and the awakening of a live interest in schemes of social and economic betterment. The co-operative society will study the implications of the plan and explain them to the individuals who constitute its membership. By making the plan popular, it will better create the atmosphere needed for its execution, voluntarily.

11. Co-operation has been described as the keystone of an arch without which technical knowledge offered from the side of the State and enterprise on the part of the people will not succeed in supporting a progressive rural economy among millions of small farmers and cottage workers. It is only through organized bodies built upon the smallest and the most numerous economic units that large-scale improvements can be introduced successfully. Such an economic unit need not necessarily be confined to a village. A feature of the co-operative system which renders it particularly attractive is its extreme adaptability. The institutions organized can be so adjusted in their methods and practices as to suit the diverse requirements of the various elements comprising the social structure, persons with different ways and habits of life and with different economic needs. Co-operation has helped, in several countries, even to harmonize conflicting social and economic interests. The method of federation adopted in the movement imparts to it the strength which individual institutions standing alone obviously lack. By this means, the movement secures that degree of concentration which is needed for effective functioning in a modern community ; and for this reason, it appears to be about the only machinery that reconciles the conception of large-scale economic planning to individual enterprise and initiative.

Role of the State in Co-operative Planning.

12. Planning necessarily implies direction by the State and we envisage official guidance in co-operative planning, as in any other kind of planning. There is nothing revolutionary in this. Most co-operators now accept as commonplace the principle that the State should provide a special fundamental law for the regulation of co-operative societies. The State should also educate public opinion as to the most suitable lines of co-operative development and provide the atmosphere and facilities for such development, the object being to foster a spirit of mutual help and self-reliance among the people.

Role of non-officials in Co-operative Planning.

13. No plan of the State will, however, succeed unless it is accepted by the people and becomes a part of their ideology. The co-operative agency can successfully carry out the plans of the State only if they are worked out by the people and for the people. It is necessary, therefore, to enlist the full support of non-official co-operators both in drawing up and carrying out plans of co-operative development. The machinery of consultation and administration must be so designed that there

is constant interchange of views and opinions between the non-official co-operators and the officials. It should be then possible to modify the co-operative plans of development in the light of popular opinion. This is all the more necessary as popular opinion will be based on the actual experience of the working of the co-operative plans and will, therefore, be able to suggest modifications and improvements of great practical value. Incidentally, the close association of non-officials with the movement will serve to emphasize its democratic nature. While the State can only assist and guide the movement, its growth as a live force for the development of the country will depend upon the popular support that it will get through close and continuous association with non-officials.

Ex-servicemen and Co-operative Planning.

14. Any plan of post-war development should take into account the extent to which it not only provides for the suitable resettlement of ex-services persons, but also the extent to which it can and should benefit from the training which such men and women have received and the experience which they have gained during their time in the Services, by employing them in the various grades of executive and administrative posts which will be created in order to implement the plan. We strongly endorse the recommendation of the Crops and Soils Wing of the Board of Agriculture and Animal Husbandry in India (Imperial Council of Agricultural Research*) that the question of the post-war absorption of soldiers must be regarded as part of a large-scale plan for the development and welfare of the country as a whole.

During their service, men and women learn the value of common effort, of comradeship and of thoroughness ; they are taught the necessity for discipline and toleration, to both of which they become accustomed. In the Defence Services to-day, there are many thousands of men skilled in a great variety of trades. These include all forms of agricultural activities ; technical trades, including the handling of heavy and complicated machinery of many natures ; trades in connexion with road making, forestry, transportation, bakeries, medical work, and all kinds of clerical work including accountancy.

Moreover, the principles and value of the Co-operative movement as a means of self-help towards an improved standard of living has received, and continues to receive, particular attention as an item of the Services' educational programme. As recruitment to the Services has been from all over India, there would appear to be a great opportunity for imparting a widespread impetus to the Co-operative movement through ex-services men and women. Every effort should be made to attract them into the co-operative fold in as great numbers as possible, either as members of existing societies, or to start new ones, or as staff for the expansion of the movement. In all cases, they

* Meeting held at Baroda in November, 1943.

should be encouraged to invest their war savings and gratuities in these societies. In this connexion we also suggest that any special assistance given by Government to ex-soldiers should as far as possible be given not individually but collectively, preference being given to a co-operative form of organization. The Co-operative Department in each province should, therefore, arrange for publicity to the Services ; through the employment agencies set up to assist the resettlement of ex-services personnel; through Sailors', Soldiers ', and Airmen's Boards, and by any other means considered suitable.

Limitations of Co-operation.

15. It is as well to state here the limitations of Co-operation. Co-operation will succeed only in fields where association into groups is of greater advantage than individual action. It is not the proper agency in fields where certain services must be rendered to every citizen as is the case with sanitation or education. Again, Co-operation is only a method. If the plan for which it is used is unsound, and if such a plan fails because of its own inherent defects, it will not be the fault of the co-operative method used to implement it.

Limited progress of Co-operation—causes.

16. A brief mention may be made at this stage of the causes of the limited progress that has been made by the Co-operative movement in India. The main causes are, the laissez-faire policy of the State, the illiteracy of the people and the fact that the movement did not, especially in its initial stages, take the life of the individual as a whole. Amongst the other causes are, the small size of the primary unit and undue reliance on honorary services for even day to day work with resultant inefficiency in management. It is hoped that the causes responsible for the limited progress of the movement will be removed in the near future, and that the Co-operative movement will make its influence felt, in an increasing measure, among all sections of the community.

Targets.

17. In conclusion, a mention may be made here of the targets aimed at in our Report. These targets are but approximations and only of general applicability. The plans that we have indicated, for example regarding the number of societies to be organized, do not, and cannot follow any mathematical or geometrical pattern. Thus in backward regions, the rate of development will have to be slow, particularly in the initial stages. In these areas, therefore, it may not be possible to secure the full results aimed at by the targets ; but this does not deprive the latter of their value. We envisage a planned and stable development of the Co-operative movement ; viewed in this light, our targets do not appear to be unreasonable or over-ambitious. We expect that if all our recommendations are carried out, a far greater proportion of the people than hitherto will be co-operative-minded and the Co-operative movement will provide the organization for the execution of a great number of plans for the economic development of the country.

CHAPTER III

AGRICULTURAL PRODUCTION.

Introductory.

The main object of planning is to ensure the well-being of the people by increasing their production and consequently their income and thus raising their standard of living. Agricultural production in India per acre as well as per capita is on an extremely low level. The following figures show India's average annual production of the principal crops* :—

Million tons

Cereals	60·9	†Cotton	4·6 million bales (1942-43).
Pulses	7·5	†Jute	6·9 million bales (1943).
Fats & Oils ..	1·9	†Tobacco (dried leaf). ..	4,23,000 tons (1940-41).
Fruits	6·0	†Coffee (cured) ..	31 million lbs. (1940-41).
Vegetables ..	9·0		
†Sugar	1·07 (1942-43).	†Tea	464 million lbs. (1940).

The volume of production of food crops, though apparently large, is not sufficient even for the requirements of a well-balanced and nutritive diet of the people. The production of other crops has also to be increased to provide the raw material for the growing industries of the country and to yield an adequate surplus for export to pay for the import mainly of capital goods, and also of such consumer goods as are not available in India. In this Chapter we propose to consider the part that the Co-operative movement can play in increasing agricultural production.

Resources necessary for increasing agricultural production.

2. The resources that are necessary for this purpose are (i) land, (ii) labour, (iii) livestock, (iv) farm equipment, (v) seed and manure, (vi) irrigation, (vii) transport and (viii) credit.

Besides, the incentive to agricultural production is considerably influenced by the system of land tenure.

(1) Land.

The total area available in British India for cultivation is 354 million acres of which 210 million acres are actually cultivated and 144 million acres are reported to be culturable. Of these 144 million acres, 47 million acres are current fallow, that is to say, fields which are being given rest or which lie uncultivated owing to the temporary incapacity of their owners to cultivate. As regards the remainder of 97 million acres, no reliable figures are available to show what portion is capable

* Memorandum on the Development of Agriculture and Animal Husbandry in India of the Advisory Board of the I.C.A.R.

† The Indian Year Book—1944-45.

of being brought under the plough, and what is for all practical purposes unculturable. According to some rough estimates recently made by certain provincial governments, there may be about 10 million acres which can, under certain conditions, be reclaimed and made cultivable*. We recommend that a systematic survey should be made by provincial governments to find out how much of this culturable waste is capable of making a contribution to agricultural production and under what conditions.

We would like to sound a note of warning in connexion with the extension of cultivation. India has suffered in the last 75 years from deforestation on a very large scale, especially near the foothills. The result has been that soil erosion and the consequent formation of ravines have been spreading. It will be necessary, in order to check these tendencies, to conserve a large part of the unculturable area for purposes of reafforestation. It appears, therefore, that in most provinces a large increase in agricultural production by increasing the area under the plough is not practicable, and the principal means of increasing agricultural production is confined to the improvement of the yield.

(ii) Labour. Labour is required in the field for such operations as ploughing, sowing, weeding, reaping and harvesting and also for such services as construction of embankments, digging of wells, irrigation, etc. Much of this labour is provided by the peasant and his family but owing to the short period in which most of the agricultural operations must be completed casual labour is also employed on a fairly large scale. Inquiries show that work on the farm ordinarily gives to the peasant employment for 200 to 220 days in the year and to the casual agricultural labour for a much shorter period. The general standard of living of both is low ; and in addition, they suffer from lack of educational, medical, sanitary and housing facilities. The Co-operative movement can render valuable help to both classes by introducing subsidiary occupations like cottage industries and by organizing labour co-operatives. The subjects have been dealt with in Chapters VII and VIII.

(iii) Livestock. Cattle supply practically all the motive power for ploughing, for lift irrigation, etc. They are also important for increasing the supply of milk. In spite of the importance to this country of good and healthy livestock, both for draught and milk supply, conditions in this respect leave much to be desired. The problems of animal husbandry and the part co-operative societies can play in their solution have been dealt with in Chapter IV.

(iv) Farm equipment. In most parts of India, the cultivator uses a wooden plough which merely scratches the soil. He cuts the harvest by hand, threshes the grain under the bullocks' feet and winnows cereals by the agency of the wind. Efforts are being made to replace these primitive implements by improved ones.

* The Land and its Problems—Page 4. (Oxford Pamphlets on Indian Affairs.)

According to the authors of 'Indian Rural Problem' about seven or eight thousand ploughs of improved variety are sold annually through the Agricultural Departments; but they form only a small percentage of the total number of ploughs in use in India, namely, 32 millions.* Co-operative societies should be made the principal agency for popularizing the use of and distributing improved implements as they already play an important part in the supply of farm equipment.

(v) Seed, manure and compost.

The area covered by seed of improved varieties is only 10.3 per cent of the total area cultivated in British India. More attention in the use of seed of improved varieties has been paid to commercial crops like sugar-cane, cotton and jute; but rice and millets which form the largest proportion of India's food crops have suffered from neglect, the former having 5 per cent and the latter only 0.5 per cent under improved varieties. Wheat has received some attention in the Punjab and Sind where 25 per cent of the sown area is under improved varieties. The rapidity with which the improved varieties of sugar-cane gained popularity in the United Provinces and Bihar, and of wheat in the new colonies of the Punjab shows that the Indian cultivator is shrewed enough to adopt an improvement if its benefit is demonstrated to his satisfaction. Improvement of seed and investigation of its adaptability to a particular soil and climate and local conditions requires long and patient research and can be undertaken only by the Agricultural Department; but the distribution of improved seed at the commercial stage must be made through co-operative societies. Marked success in discharging this function has been achieved by the cane development societies in the United Provinces and in respect of cotton seed by co-operative societies in Bombay. We strongly recommend the distribution of seed through the co-operative agency because the official agency being small in size cannot reach all individuals and effectively supervise or control the use of the supply made by it.

There are greater prospects for increased productivity through an improvement in fertility of the soil which has become so impoverished that its deterioration has become 'stabilized'. The preliminary problem in India is not so much to seek the aid of science to make nature give more as to restore to nature what it has been despoiled of. The soil should be given back, either by the use of natural manure or artificial fertilizers, the chemical elements of which it has been denuded. Farmyard manure is not put to its proper use chiefly because the ordinary villager has no access to wood fuel. A scheme has been adopted in the United Provinces for establishing plantations for the supply of small timber and fuel. If similar schemes are adopted all over India, a large proportion of the 480 million tons† of farm yard manure per an-

* Indian Rural Problem—by Sir Manilal B. Nanavati and Prof. J. J. Anjaria—2nd Edition—Page 27.

† Memorandum on the Development of Agriculture and Animal Husbandry in India of the Advisory Board of the I.C.A.R.—Page 27.

num, which is burnt or otherwise lost at present, will become available for the field. The schemes should be prepared by officers of the Forest Department, and their execution undertaken by co-operative societies. Another easily available source of supply of natural fertilizers is from leguminous crops and green manures. In this connexion, the system of mixed corps, that is of growing wheat and a pulse crop on the same field in alternate furrows is of interest, since, the exhaustion of the soil from cereals is set off by its enrichment by the leguminous pulse crops. In this case also co-operative societies can make a contribution by encouraging their members to make use of this source on a large scale than at present. The deficiency will, however, continue, both in quantity and certain essential elements like nitrogen, phosphoric acid, potash and lime, until artificial fertilizers are made available. The manufacture of fertilizers requires an organization and an effort beyond the resources of the Co-operative movement, and should be undertaken by Government. So far the Central Government have acknowledged their responsibility in respect of nitrogenous fertilizers by adopting a scheme for manfuacturing them. The scheme aims at dividing the country into suitable units within each of which a factory will be set up so as to be located within easy reach of the farms. The Central Government have consulted the provinces as regards the suitable localities and sites for factories, and the local demand for fertilizers. It seems necessary that Government should undertake a very early survey of soils in order to find out where soils are deficient in essential chemicals. As regards compost, the data collected by the Indian Institute of Science, Bangalore, show that for every 10,000 of urban population about 1,000 tons of compost manure could be obtained annually and that it should be possible ultimately to supply for agricultural purposes about a crore of tons* of compost manure annually by a proper utilization of waste. The Co-opertaive movement should be the agency for the distribution of fertilizers.

(vi) Irrigation. An assured source of water supply is necessary for agricultural production. But in India, on account of the precarious nature of the rainfall, the supply of water is uncertain. Artificial sources of supply ensure timely irrigation, and consequently, proper germination, growth and maturity. These sources include canals, tanks and wells. Recently the exploitation of subsoil water by electric lift has been added to the list, and projects are afoot for the construction of large storage reservoirs for impounding surplus supplies during the monsoon for supplementing river supplies in dry seasons. Governments alone have sufficient resources to undertake the construction of canals, electric tube wells, river pumping schemes and storage reservoirs. Works of irrigation should, therefore, continue to remain the primary responsibility of the State. But much of the field-work connected with the

* Technological Possibilities of Agricultural Development in India—W. Burns, C.I.E.—Pages 121-122.

distribution of water like fixation of outlets, allocation of supplies to fields, repairs and maintenance of channels as distinguished from those of the machinery or the head-works and assessment and collection of water rates can be delegated to co-operative societies. They already play a useful part in executing minor irrigation works like the sinking of wells, erection of small dams and, sometimes, construction and maintenance of tube wells worked by electric power. In Bengal, for instance there are 1,020 irrigation societies with a membership of 22,500, reserve and other funds of Rs. 17,483 and paidup share capital of Rs. 3,51,410. The schemes undertaken by them are the excavation and re-excavation of tanks, the erection of irrigation embankments for the storage of water and the construction of masonry weirs across small perennial streams. In Madras, there are 15 irrigation societies serving 9,210 acres of land under cultivation. A few 'kudimaramat' societies have been started in the Deltas for keeping irrigation channels in proper repairs. The North Arcot District Co-operative Electric Motor and Power Pump Supply Society supplies motor and power pumps to members after purchasing them wholesale and recovers the cost in instalments spread over about seven years. There are 146 irrigation societies in the United Provinces. They sink wells and improve facilities for irrigation. In the Punjab there are no irrigation societies as such, but there are 21 silt clearance societies which clear silt in the inundation canals to ensure better supply of water. Bombay has a few dam construction and irrigation societies. Although the co-operative irrigation societies have not achieved much success so far, they indicate the possibilities of co-operative effort in this direction. The construction of minor irrigation works should be entrusted to co-operative societies in perference to individual contractors. Funds for such works should be provided by Government or by co-operative financing institutions wherever they exist under proper safeguards and on the security of land belonging to those whose lands are likely to benefit from these works. If some plot-holders who are likely to benefit by the scheme refuse to join a co-operative society for carrying out minor irrigation works, the Collector of the district should be empowered to make a proportionate levy on them and recover the levy as arrears of land revenue. State assistance for sinking wells should be given through co-operative societies.

(vii) **Transport.**

India is deficient in the means of transportation ; with an area of approximately 1,580,000 sq. miles* she has only about 41,000 miles of railway while Europe, excepting the U.S.S.R., with an area of 1,660,000 sq. miles has 190,000 miles of railway. Similarly, in British India, the proportion of road mileage to area works out at 35 miles per 100 sq. miles ; the corresponding figure for the U.S.A. is 100 and for the U.K. 200. The position regarding coastal shipping and inland water transport is also unsatisfactory. A large expansion of

* A Plan of Economic Development for India—Page 35.

the means of communication is, therefore, necessary if farm equipment and farm products are to move freely within the country. We do not think that the Co-operative movement can make any substantial contribution in this scheme of expansion of transport as it will require an organization and an effort beyond its resources. The scheme of expansion should, therefore, be undertaken by Government. But the Co-operative movement can play a useful part in the organization of transport co-operatives, (Chapter XIII) and in the organization of labour co-operatives for the construction and maintenance of roads (Chapter VIII).

(viii) credit.

The financial needs of the agriculturist may be classified, according to the period for which accommodation is required by him, into three divisions, namely, (1) short-term credit for purchasing seed and fertilizers, paying wages, maintaining the family and meeting other expenses such as payment of land revenue and rent, and interest on debt, (2) medium-term credit for purchasing livestock and implement, and (3) long-term credit for purchasing land and expensive agricultural machinery and for effecting permanent improvement. The part which the Co-operative movement can play in agricultural finance is discussed in Chapter VI.

Land tenure.

Agricultural production is substantially influenced by the system of land tenure. A proper system should aim at fixity of tenure and the assurance of a reasonable return to the cultivator. "The problem of tenure is of basic importance and is often a pre-requisite to other agrarian reforms."* The defects of the existing systems of land tenure in the various parts of India are serious. The time is approaching fast when the status of tenants under landowners will have to be altered more substantially than hitherto, as it is unnatural to expect a tenant whose right in land is temporary to improve or nurse it. We are not dealing with this matter as we consider that recommendations as regards institutional changes are outside our scope.

Role of the Co-operative movement in increasing agricultural production.

3. The analysis of the various resources that are necessary for increasing agricultural production and of the extent to which these resources are undeveloped in India, brings out the fact that the Indian cultivator is beset with difficulties and needs help and guidance at every step. By the use of improved varieties of seed and manure and implements, with timely and adequate water supply, by the protection of crops from the ravages of pests and diseases, and, generally, by fully developing the resources necessary for production, India can raise the yield of food crops, within a period of 10 years, by 50 per cent.†

4. Cultivators as a class are too poor individually to undertake most of these improvements. The question of creating

*H. Belshaw—Foundations of rural welfare, in International Labour Review, March 1945.—Page 296, footnote 2.

† Memorandum on the development of agriculture and animal husbandary in India of the Advisory Board of the I.C.A.R.—Page 10.

appropriate agencies for initiating, carrying out and supervising these improvements is, therefore, important. We consider that Government must actively participate in all activities relating to agricultural development ; but as the official agency is small in size and as there are certain items of work in which success will be achieved better by the voluntary effort of non-officials, agencies which would harness local talent should, therefore, be sought and encouraged. The village co-operative society is a useful instrument of economic development.

5. The activities of co-operative societies have, however, been mostly confined hitherto to the sphere of supplying credit. But the supply of credit touches only one aspect of the life of the cultivator ; the proper course is to take into account all aspects of his life as a whole. This is possible only if primary co-operative societies undertake multiple objectives. This idea is reflected in the Government of India's scheme for organizing villages into groups having multi-purpose co-operative societies, as mentioned in the Second Report on Reconstruction Planning. This means that village co-operative societies would undertake all those activities which affect the daily life and business of the agriculturists and artisans, and that it should not confine itself merely to credit business but should also "be a social organization which will tend to promote better living and minor improvements in village conditions, and to eliminate feuds, litigation and friction."

Reorganization of the primary society.

6. We recommend that the primary credit society should be reformed and reorganized so as to serve as a centre for the general economic improvement of its members and should, in particular, (a) finance crop production ; (b) act as agent for the sale of crop to the nearest co-operative marketing organization ; (c) supply the farmers' simple needs for crop production like seed, cattle-feed, fertilizer and agricultural implements, and also consumers' goods like cloth, kerosene, salt and matches on indent basis or on the basis of established needs ; (d) serve as milk collecting station for the nearest dairy and as a centre for animal first-aid and the maintenance of stud bulls ; (e) serve as a centre for maintaining agricultural machinery for the joint use of members ; and (f) encourage subsidiary occupations for its members.

7. The membership of the society should be open to all persons residing in its area of operation. The society should be so organized as to have at least 50 members, and its area of operation should be such as would permit adequate business and, at the same time, efficient supervision and effective control. The business of the society may include all the objects mentioned in the previous paragraph or as many of them as may be deemed advisable. It is not expected that every society should, immediately on its registration, take up all the different items of work mentioned above ; but its aim should be gradually to undertake all these activities as it gains experience and strength.

Target and cost. 8. We recommend that an attempt should be made to bring 50 per cent of the villages and 30 per cent of the rural population within the ambit of the reorganized primary societies within a period of 10 years, in two five-year periods. We also recommend that the membership of a primary society should be at least 50. The 1941 Census Report gives the rural population in British India as 257.8 millions. Taking the average membership of a family as five, it will be necessary to have about 15.5 millions of the population as members of the primary societies in order to reach the target fixed above. The membership of the existing primary credit societies is 3 million, the average per society being 32. Thus the 95,357 existing societies will enroll 1.7 million additional members at the rate of 18 per society and the total membership of the existing societies will be 4.7 millions, leaving a balance of 10.8 millions to be organized into new societies within the next 10 years. This means that on an average 1.08 million persons should be brought into the co-operative fold and 21,600 societies organized every year.

9. The cost of management of a society will vary from province to province ; but it can be roughly estimated to be Rs. 150 per annum per society. The total cost of management of the existing societies and those proposed to be organized will, therefore, amount to Rs. 1,75,43,550 per annum, increasing by Rs. 32,40,000, being the cost of management of the new societies, every year. The Government should give a subsidy amounting to 50 per cent of the cost of management to all the societies for the first five years, i.e., the total subsidy for the first ten years being Rs. 10,05,58,875. We recommend subsidy to the existing societies also as the sphere of their work will, on reorganization as proposed by us, expand considerably

10. According to our target, 50 per cent of the villages in British India, namely 228,780 should be served by primary societies. About 97,000 villages are already served by such societies and if the programme of organizing 21,600 societies every year as suggested above is carried out more than half the villages will be covered during the period of ten years.

11. The success of the plan will depend to a large extent on the arrangement for direction, supervision and audit of the 21,600 societies proposed to be organized every year and the staff employed for the purpose. We consider that there should be 2 Supervisors and 1 Auditor for every group of 50 societies ; 1 Inspector for 100 societies, 1 Assistant Registrar for 1,000 societies and 1 Deputy Registrar for each Revenue Division. On this basis a staff of 864 Supervisors, 432 Auditors, 216 Inspectors and 21 Assistant Registrars per year will be necessary. As regards Deputy Registrars, we have stated above that there should be one for every Revenue Division, which is taken to consist on an average of 5 districts. There are 225 districts in British India ; on this basis, it will be necessary to appoint 45 Deputy Registrars in the ten year

period, or roughly 5 Deputy Registrars every year. We, however, consider that a larger staff will be needed for direction and supervision in the first year to initiate the development scheme. We, therefore, propose that 20 Deputy Registrars should be appointed in the very first year.

12. We attempted to draw up an estimate of the total cost of our proposal ; but on account of the variation in the designation, jurisdiction and scales of pay of the staff from province to province it was found impossible to make an accurate estimate unless it was made for each province separately. Yet, it was considered desirable that a rough estimate should be prepared on a uniform basis. Such an estimate for the first year is given below :—

Description of the staff.	No. required during the 1st year.	Average pay per month.	Cost per annum.
		Rs.	Rs.
Dy. Registrar	20	888	2,13,120
Asst. Registrar	21	403	1,01,556
Inspector	216	145	3,75,840
Auditor	432	73	3,78,432
Supervisor	864	73	7,56,864
Total cost for the 1st year ..	..	..	18,25,812

The total cost will be Rs. 18,25,812 increasing by Rs. 16,12,592 every year up to the end of the fourth year. From the fifth year onwards, five Deputy Registrars will be appointed each year. The cost of the plan for the ten years will be as shown below :—

	Rs.
Cost for the 1st year ..	18,25,812
2nd ..	34,38,504
3rd ..	50,51,196
4th ..	66,63,888
5th ..	83,29,860
6th ..	99,95,832
7th ..	1,16,61,804
8th ..	1,33,27,776
9th ..	1,49,93,748
10th ..	1,66,59,720
Total cost for 10 years ..	9,19,48,140 or say Rs. 919 lakhs.

We observe that some provinces already employ first grade officers such as Joint Registrars and Deputy Registrars and we have no doubt that these will be taken into account in working out the cost for each province. The Government should bear the cost also of the additional staff required for the expansion of the Co-operative Department.

13. The estimate given in the previous paragraph is for the societies proposed to be organized and does not include the additional staff required for the inspection, supervision and audit of the existing societies on the new scale. The total number of primary credit societies in India is 95,557 and the staff employed for their inspection, supervision and audit consists of 138 Assistant Registrars, 3,659 Supervisors and Auditors and 1,024 Inspectors. This staff falls short of the number, suggested by us under the scheme by 2-4 Assistant Registrars, 2,211 Supervisors and Auditors and 394 Inspectors. The cost per year of the additional staff is shown below :—

	Rs.
Assistant Registrars	.. 1,16,064
Supervisors and Auditors	.. 19,36,836
Inspectors	.. 6,85,560
Total	..27,38,460 or say Rs. 27 lakhs.

The Government should pay for this additional staff also.

Adoption of limited liability as the basis of the reorganized society.

14. We have given considerable thought to the question of the nature of the liability on which the reformed and reorganized primary society should be based. Agricultural credit societies, which are at present the most widespread type of co-operative organization in India, are based on unlimited liability. There is a body of opinion which advocates that unlimited liability should continue to be the basis of co-operative organizations. This opinion is based on various grounds. There is, first, the empirical ground that the suitability of unlimited liability as the basis of agricultural credit societies in India has been examined by a number of commissions and committees, and their verdict almost invariably has been in its favour. Next, it is claimed that unlimited liability is an essentially co-operative principle in that it creates among co-operators a sense of collective responsibility and mutual watchfulness ; and it is feared that its replacement by limited liability will undermine this responsibility and through it the basic principle of Co-operation, "Each for all and all for each." There is a further reason for insisting on unlimited liability. Co-operative societies are generally organized for persons of small means whose individual credit is low, but, on the basis of unlimited liability, they can jointly command credit sufficient to satisfy their productive needs. Financial institutions look upon unlimited liability as an important source of ultimate security of their business, and there is a serious danger of credit being curtailed if this security is not forthcoming. While it is frankly admitted that a rigorous enforcement of unlimited liability is likely to cause hardship, it is claimed that through long experience of its application, the Co-operative Departments have so framed the rules for its enforcement as to soften its rigours. The critics, however, hold that in certain provinces no rules could avoid the rigours, and that in others the principle of unlimited liability has never been enforced and has remained a dead letter.

In their opinion, the reason for this state of affairs is not far to seek. Even when the principle was introduced in Act X of 1904, a warning was sounded that unlimited liability would keep away from the Co-operative movement those very classes of people whose help would be most needed and would be indispensable, and the warning has been justified by experience. So long as there is no bar on the alienation of their property by members, unlimited liability is largely illusory. Members of co-operative societies are unhampered in having resort to the village money-lender, and the actual fact seems to be that unlimited liability has not helped the development of either collective responsibility or mutual watchfulness so far, at least, as financial transactions are concerned. In actual practice, a financial institution dealing with a co-operative society pays more attention to the efficient management of the latter and to the control and supervision exercised by Government, and, in giving loans and advances to individual members, looks upon the pledge of crops or mortgage of immovable property as the most eligible security.

It is cliamed that in Madras, unlimited liability has been successfully enforced in many rural credit societies under liquidation and lakhs of rupees of bad debts due to the central banks and depositors have been recovered in this way and that, nevertheless, unlimited liability has not prevented responsible men from joining these societies. Many rich people have joined them with the object of helping them to function efficiently and few who needed credit have kept out of these societies for the reason that they are based on unlimited liability. In most cases, good management has been the result of the existence of unlimited liability and of its enforcement in the neighbourhood. It is feared there that central banks will not lend freely and deposits will shrink if unlimited liability is dropped by rural credit societies. Consequently, we consider that it will not be advisable to lay down limited liability as the rule for all provinces. Where it has been found to work successfully, no change is called for.

15. In most provinces, however, unlimited liability has not been very helpful to the progress of co-operative credit. In this Report, we are recommending that a primary village society should undertake a large number of non-credit activities and we have suggested in their respective places how credit is to be raised to finance each one of these activities. In most provinces the trend of thought is in favour of limited liability. We recommend, therefore, that, except where unlimited liability has produced good results, the liability of the reformed and reorganized primary society should be limited. This liability should, however, be limited either to the value of shares held by a member or to a multiple thereof provided that a substantial part of the funds required by the society can be raised through share capital. There may, however, be cases in which unlimited liability is more appropriate. For instance, the adoption of limited liability may prevent the

benefit of co-operative credit being derived by persons of small means who have no tangible security (which the limited liability society will usually demand) to offer for loans. Similarly, for societies which cover only one village and do not contain multiple functions, unlimited liability may be more suitable. We suggest that such cases should be treated by the Registrars on their own merits and with regard to local opinion and circumstances.

Consolidation of holdings.

16. One of the greatest obstacles in the way of increasing agricultural production is the existence of uneconomic holdings. An attempt to remove this obstacle has been made through co-operative consolidation of holdings in some provinces, notably in the Punjab. The main object of a co-operative consolidation of holdings society is to secure more compact holdings for each member. Every member on joining a society undertakes to agree to a scheme of reallocation of land approved by two-thirds of all the members in a general meeting. In actual practice, however, no scheme is ordinarily enforced unless it is acceptable to every member. All holdings of the members are pooled in the first instance. The managing committee then places, subject to the approval of the general meeting, each field in its appropriate class, and draws up a scheme of reallocation in consultation with the members concerned. In the reallocation an effort is made to ensure that each member gets the same area and classes of land in compact blocks as he had originally in scattered holdings. After the scheme has been approved by the members, the new blocks are marked out and necessary steps are taken to have possession redistributed. A separate staff trained in revenue work is provided by the Government to assist these societies, a part of the cost, usually based on the area consolidated, being borne by the members. In the Punjab there were 1,763 societies for consolidation of holdings on July 31, 1942 and thirteen lakhs of acres were consolidated up to 31 July, 1941. In the United Provinces there were 233 such societies in 1942. They have been able to consolidate one lakh of pucca bighas* and reduce the number of plots from 177,635 to 12,392. There were 40 such societies in Delhi and 22 in Madras.

17. Consolidation through the Revenue Department is also provided by the Central Provinces Consolidation of Holdings Act, 1928, the Punjab Consolidation of Holdings Act, 1936 and the United Provinces Consolidation of Holdings Act, 1939. In the Punjab, the scheme of consolidation is binding on the whole of a village only when at least two-thirds of the landowners holding not less than three-fourths of the cultivated area agree in writing to consolidation. From the beginning of the scheme up to the end of March, 1943, an area of 259,691 acres distributed over 333 villages had been consolidated. According to the United Provinces Consolidation of Holdings Act, 1939, the proprietor of a village or the lambardar or cultivators of more than one-third of the cultivated

*1 pucca bigha=5/8 acre.

area in it may apply for an order of consolidation. The main provision of the Central Provinces Consolidation of Holdings Act, 1928, is that when one-half of the villagers holding two-thirds of the land apply for consolidation a special officer prepares a scheme with the assistance of a panchayat, and the scheme is put into force after confirmation by the Settlement Commissioner. In the Central Provinces the holdings of nearly a lakh of permanent holders covering an area of about 1,133,00 acres split up into 2,433,000 plots have been consolidated into 361,000 compact plots.

18. The evils of fragmentation of holdings seem to be widespread and not peculiar to India. Throughout the European Continent, sub-division of land among the heirs in each generation constitutes one of the major obstacles to progress in farming technique. In Switzerland, among small holdings of less than 2½ acres in size, there were, at the last Census, no fewer than 220, each of which was divided into 50 or more separate strips. It is estimated that in Western Europe one-quarter to one-third of the land is parcelled out in this manner; in many parts of Eastern Europe the proportion is still higher. The experience of France, Switzerland, Belgium, Germany, and Denmark proves that voluntary consolidation of holdings among peasant-proprietors does not secure compact and reasonably-sized holdings and that the remedial measure lies in legislation. In Denmark farms have been saved from being divided into small strips by a series of Acts of Parliament dating from the beginning of the nineteenth century prohibiting the sub-division of farms below a certain size.

19. We are of the opinion that in the task of consolidating "dwarf holdings" into economic units it would be well to follow the Danish example and prescribe by legislation minimum sizes below which farms must not be sub-divided in any case. We do not, however, propose that nothing should be done till such action is taken. Consolidation of holdings has been attempted, as described earlier, in Indian provinces both by the Co-operative Department and the Revenue Department. In view of the success attained by co-operative consolidation, particularly in the Punjab, we recommend that co-operative societies should be encouraged to take up consolidation of holdings. We also recommend that legislation for the consolidation of holdings should be passed in those provinces, where no such legislation exists at present.

Large scale farming—different types.

20. We, however, consider that for a permanent solution of the problem of increased agricultural production, some form of large-scale cultivation is necessary. There are four types of large-scale farming, viz., collective framing, State farming, corporate farming and co-operative farming.

Collective farming.

21. Collective farming in Soviet Russia is a conspicuous example of large-scale method of cultivation. There, the collective farms are of three types. The simplest is a mere

cultivating or herd-tending partnership common among the nomads. At the other end of the scale, is the full commune, in which the members live together round a common dining-hall and kitchen and have no separate belongings except trifling objects of personal use. Collectives of this type do not form more than one per cent of the whole number. In the vast bulk of the collectives, the members surrender their land irrevocably, the work is common, the rights in land and in live and dead stock are joint, and the surplus product is divided among the members ; but the incomes are separate, and the members live, and, mostly feed, with their families and in their own houses. The collectives are under a legal obligation to admit other members having the required qualifications. An important individualistic element in them is, however, the small separate yard, or garden allotment, ordinarily adjoining the living house and worked by the family. The collectives are highly mechanized, and in this connexion a very important part is played by the Machine Tractor Stations maintained by the State in suitable areas. These stations number 6,647, and keep tractors, combines and harvesting machines for the use of the collectives which pay in kind at a fixed rate for their services. A quarter of a million of these collectives, occupied in 1935, 94 per cent of the whole cultivated area. The average size of the farm varies widely in different regions. It is below 600 acres in White Russia, above 1,800 acres in Ukraine and is twice or three times as large on the middle and lower Volga. For the whole country it averages 1,600 acres.*

The collective farm is an " economic community of farming families who pool their resources and undertake to work together under a management committee chosen by themselves. This committee is responsible for farm management, allocation of work, distribution of income in kind and in money, and disposal of surpluses. All the working members are placed in labour groups (or brigades) and work is allocated on a group basis. The brigade leaders check up on the amount and quality of work done by their members, including household tasks. The remuneration of collective farmers is calculated in ' work day ' units, i.e., the value of the average amount of work that can be performed by a collective farmer in one working day, as fixed by a standard quota for each type of work. Differences in skill or special efficiency are remunerated by grading up some jobs to a higher equivalent in ' work day ' units than others."† The production plan for each farm is, however, laid down by the State which issues directions about the acreage under different crops, the number of animals to be kept, etc. Each collective has also to sell to the State at a prescribed rate a fixed proportion of what is assumed to be an average yield. As a result of collectivization and the consequent large-scale mechanization there has been a considerable increase in agricultural production. The income of

* The Russian Peasant and Other Studies by Sir John Maynard, p. 308.
† World Co-operation, 1844-1944, by Dr. Barou, p. 29.

a member family has, in terms of grain, risen from 0.6 ton in 1932 to 1.7 ton in 1937 ; the money income rose from 106.2 roubles* in 1932 to 348.1 roubles in 1937†.

22. Russia has made experiments with State farms also. These farms are equipped with up to date machinery, managed in accordance with the latest methods of agronomy and scientific animal husbandry and worked by paid labour. The first farms were organized by the Soviet Government in 1918, but their rapid development began in 1928-29 when large State grain farms were organized all over the country. They are to be found in all the republics and regions of the U.S.S.R. and even in those parts where the population had previously been non-agricultural. In 1934, the State farms employed over 3 million persons and cultivated over 40 million acres, of which over three-quarters were under grain. They had nearly one million horses, 4½ million large horned-cattle, 8½ million sheep and goats‡. Besides producing foodstuffs like grain, meat, milk, butter, fruit and vegetables for the urban industrial centres, the state farms produce raw materials like cotton, flax, wool, sugar-beet, vegetable and essential oils for industries. **State farming.**

The main distinguishing feature of State and collective farms is that the workers on a State farm are wage-earners, while those on a collective farm are peasant members. The collective farm by its special method of paying wages, according to the work done by the individual member and according to the net output of the farm, provides an incentive for the improvement of the farm ; and its members, owing to their collective ownership of the means of production, have greater freedom to decide upon the management of the farm.

23. Corporate farming is based on capitalist methods. The plantations of America afford an example of this kind of farming. It has the usual advantages of large-scale enterprise and leads to larger production and better marketing. Its main motive being profit and not the interests of the actual cultivator, it suffers from all the defects associated with absentee landlordism. **Corporate farming.**

24. Co-operative farming societies have been organized in some foreign countries such as Italy, Bulgaria and Palestine. The societies in Italy usually begin by taking land on either rent or profit-sharing basis and after gaining experience of land management, purchase it. They are generally of two types, viz., *Conduzione unita* and *Conduzione divisa*. Under the former the land is cultivated jointly by the members, the means of production being owned by the society. The members work on wages, but the surplus income, after meeting expenses and providing for reserves, is distributed among them in proportion to the wages earned. The *Conduzione divisa* **Co-operative farming.**

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* 1 rouble=2·1 sh.

† Year Book of Agricultural Co-operation, 1942, p. 204.

‡ The Russian Peasant and Other Studies, by Sir John Maynard, page 299.

society usually consists of small tenants who join together to obtain the advantages of association. The land is leased out to members for individual cultivation. The society exercises the function of direction and supplies common services such as credit, marketing, and use of costly machinery.

In Bulgaria, the societies are usually for joint farming. According to a report published in 1941, the number of Bulgarian co-operative societies for collective farming was 21 at the end of 1940. The twenty-one societies had 1,601 landowners as members, the minimum number of members in a society being 11 and the maximum 329. They managed 29,590 decares* of land of which 24,322 decares belonged to the members in individual ownership, 1,435 to the co-operative societies and 3,833 decares were leased from the communes.

The societies in Palestine have been organized by the Jews. They are of two types, viz., farmers' settlements and small-holders' settlements. The farmers' settlements are collective farms established on land of the Jewish National Fund or on land leased from the Palestine Jewish Colonization Association. The Chief aim of these organizations is to develop co-operative villages. They are governed by an elected committee which divides itself into sub-committees directing different activities of the settlement. The society owns all the property in a settlement ; members own nothing privately. No wages are paid ; and even the money earned on outside work goes to the common purse of the settlement. The societies operate entirely on borrowed capital. Their produce is sold collectively either to or through co-operative marketing societies. They maintain all communal institutions, clubs, hospitals and schools and pay the expenses of outside education. They also undertake the support of dependents of members. Towards the end of 1940, there were about 200 large and small agricultural settlements with a population of 41,000. They played an important part in the process of economic readjustment, necessitated by war-time conditions.

The main objective of the small-holders' settlements is to organize the stetlement of their members as individual farmers. Certain operations like cultivation of certain areas and crops, irrigation and water supply, sale of produce and purchase of requirements, use of agricultural machinery and storage are, however, undertaken collectively. The small-holders' settlements often start with collective ownership and later make individual allotments. About 10,000 people live in these settlements.

Both the types of settlements are affiliated to a central organization (Thuva) for marketing their produce.

An interesting synthesis of these two types of settlements is being tried. It bears affinity to the Russian collectives. There is joint ownership and management of all agricultural

*10 decares = 2·5 acres.

property, but there are individual houses for each family. The members are paid at a uniform rate for their work with family allowances and enjoy complete freedom in the spending of their earnings.

25. The question to be considered is whether collective farming, State farming, corporate farming or co-operative farming is the most suitable in India conditions. **Relative merits of different types of large-scale farming.**

The main motive of corporate farming is generally profit and not the interest of the farmer. It suffers from the usual defects of a capitalist organization. We do not, therefore, recommend it.

In the existing conditions of the country State farming should not be taken up except where land is already held by the State and for the purposes of experiment and demonstration.

As regards collective farming, a fear has been expressed that it may be misunderstood as expropriation and raise socio-economic problems. Its idea is unfamiliar and its acceptance depends on the manner in which and the agency through which it is introduced. The deep attachment of the Indian farmer to the ownership of land will seriously stand in the way of its introduction, and there will be justification for his opposition to it as it does not seem proper that while owners of factors of production in other fields of industry should remain undisturbed in their ownership, he alone should be asked to part with his title deeds. We are of the opinion that the introduction of the system of collective farming is not suitable in the existing circumstances of India.

26. The problem then is of the introduction of a method of farming which, without affecting any of the fundamental social institutions or customs and interfering with the framework of private property, will give increased production. We are of the opinion that the method which has a fair prospect of success in this country is the one which combines the preservation of proprietary rights of the cultivators with co-operative farming. The 14th Registrars' Conference recommended that "the system of co-operative joint farming should be introduced wherever circumstances are favourable, but at least one experiment in co-operative farming should be carried out in each province and state". The Bombay Industrialists' Plan also suggests that for promoting an efficient agricultural system co-operative farming appears to present less difficulties than any other method that may be suggested, and observes that co-operative farming increases the size of the holding for purposes of cultivation without depriving cultivators of their right to ownership of their holdings.

27. A co-operative farming society may take one of the following four forms :— **Different forms of co-operative farming societies.**

(1) Co-operative Better Farming Society.

The society is designed to introduce improved methods of farming. The members agree to follow a plan of cultivation

laid down by it. In furtherance if its object it may undertake joint purchase of seed or manure, or pooling, cleaning, grading, and selling the produce, or joint ploughing or joint harvesting, or joint arrangements for watch and ward, or joint use of machinery. Each member is, however, independent except for the specific purposes for which he joins the society. He pays for the services which he receives, and at the end of the year he may receive a patronage dividend.

(ii) Co-operative Joint Farming Society.

(a) This type of society suggests pooling of land on the part of small owners whose separate holdings are not large enough to permit of economic farming. Members work on the pooled land in accordance with the direction of an elected committee and the manager appointed by it. They work jointly and each member receives wages for his daily labour. The ownership of each member in his holding continues and is recognized by the payment of a dividend in proportion to the value of his land. The produce which is raised collectively is also disposed of collectively, and the proceeds after meeting all the expenses of cultivation including payment for the use of land, wages and cost of management and providing for a reserve fund are shared by members in proportion to the wages earned by each. The ordinary functions of this form of society are the planning of a crop programme, the joint purchase of farm requirements and joint sale of farm produce, raising of funds on the security of land, crops and other movable and immovable assets of the society for land improvement, purchase of machinery and payment of operational expenses, land improvement and all other activities calculated to promote the development of agriculture. A subsidiary agreement is generally made between the society and each member that if any improvement is made on his plot of land he will repay its cost when he ceases to belong to the society.

(b) We have been impressed with the scheme for Joint Village Management described by Mr. Tarlok Singh, in his "Poverty and Social Change". We are of the opinon that the main features of the system described by him come within the scope of the Co-operative Joint Farming Society. "The words 'joint management' connote a system in which the claims of ownership are respected, but owners pool their land for the purpose of management." This applies to the Co-operative Joint Farming Society also.

The scheme sets out to answer three questions which are basic to any system of co-operative farming based upon a pooling of individual holdings. These questions are :—

(i) What should be the unit of management ?

(ii) How should the rights of ownership be rewarded ?

(iii) How should work be organized and evaluated ?

Mr. Tarlok Singh suggests that there are important advantages in taking the village, wherever possible, as the unit of management. Despite quarrels and factions, the village is the basic social unit of the country and is bound by definite

loyalties and traditions. In taking the village as the unit of management, 'we can reduce to smaller proportions several personal, religious and tribal difficulties which tend to crop up if the area of a village is divided into, say, five, seven, or ten farms of 100 to 200 acres, and are inevitable in any attempt to rationalize agriculture. Even with a radical change in agricultural technique, the village will ordinarily be found to be a farm of sufficient size. The village will also be 'a convenient unit for organizing the shift into non-agricultural occupations, within as well as outside the village, of all those who will be displaced when agriculture is reorganized.' Finally, if the village is organized as the unit of farm management, it can play an important part in relation to industrial development.

In considering the solution of the second and third problems mentioned above, attention is invited to the following considerations :—

(1) Income from land divided into two parts—income due to ownership and income due to work. The system of rents prevailing in any area gives practical expression to this distinction, although at present, for various reasons, land rents are excessive.

(2) So long as mechanized techniques are not introduced or until the village organization becomes so highly integrated as to be able to enforce a wage system, in which remuneration depends upon the quantity and quality of work done and there are adequate sanctions against inefficiency, we must discover a principle for allotting work which carries its own internal incentives.

For insecure and hilly areas Mr. Tarlok Singh suggests an organization on the lines of the Co-operative Better Farming Society, described earlier in this Report, with the village as the unit. For secure areas in the plains he suggests that, apart from such land as may be set apart for joint operation, for instance, as a fruit garden or a vegetable farm, in the first stage of development the cultivated area of the village should be divided into 'work units'. Each work unit would be operated by an adult worker assisted by his family. Individuals to whom these work units are allotted would be in the position of tenants for a specified period of the village farm as a whole and would be liable to pay rents at the rate common in any given area. If, for instance, the customary division of produce between the tenant and the owner is in equal proportions, one-half of the produce of each work unit would belong to the operator. The other half of the produce from each work unit would go into a common pool. The village community will meet its common obligations and will incur necessary common investment from the pool, and will be able to distribute the balance as 'ownership dividend' to each of the owners in proportion to the value of the land, etc., contributed by him in advance to the village farm. The fact that

customary rents are pitched at a high level will lead to a larger common pool and therefore to greater potential investment than might otherwise be possible. As technical change takes place and the village organization becomes stronger, and more highly integrated, in place of work units operated by families, work will be allotted to individuals. Secondly, the ownership dividend, which is based on current rentals, may come to take the form of fixed or variable share in profits. Mr. Tarlok Singh describes the change in the nature of ownership implicit in the scheme in the following words :—

"Ownership, however, will not now imply permanent physical possession over or association with a specific piece of land, nor will it imply the right to let that piece of land to a tenant at will in return for rent. When all the land of a village passes into joint management, each owner will have the right to receive an income from the farm as a whole, according to the value of the contribution he has made. Secondly, he will have the right to work on the fram. Thus, while ownership remains, it comes to acquire a new significance. Joint management also retains the principle of equal inheritance. Sons will not now share particular bits of land. They will share equally the ownership dividend due to their holding and each of them will have the right to work in the jointly managed village. The land will remain under joint management and its operation will not be affected by changes and accidents of legal sub-division. In this way, a fundamental social principle, which has been perhaps the greatest single cause of inefficiency in peasant agriculture in thickly populated countries like India and China, can become a progressive and equalising factor in social development."

(iii) Co-operative Tenant Farming Society.

This type of society owns land in freehold or leasehold, but its holding is divided into smaller holdings each of which is leased to an individual tenant cultivator who is a member of the society. The whole area is cultivated in accordance with a plan laid down by the society, but the manner in which the plan is executed is left to the discretion of each individual tenant. The society undertakes to supply credit, seed, manure, and costly agricultural implement and even to arrange for the marketing of the tenant members' produce, but it is open to each tenant member whether or not to avail himself of these facilities. Each tenant pays a fixed rent for his holding, but the produce of the holding is his own and entirely at his disposal. This type of society replaces the superior landlord, and the profits, after meeting all expenses and providing for a reserve fund, are distributed among the tenant members in proportion to the rent paid by each.

(iv) Co-operative Collective Farming Society.

This type of society also holds land in freehold or leasehold and all other means of production. It undertakes joint cultivation for which all its members pool their labour resources and each receives in return prescribed wages. Large-scale cultivation facilitates mechanization of agricultural production, and this is the society's most important gain. The

profits are worked out at the end of the year after deducting wages, cost of management and allotment to reserves, and divided in proportion to the wages earned by each member.

28. We may here refer to the main points of difference between a collective farm of Russia and the Co-operative Collective Farming Society discussed above. The latter is a fully democratic institution managed by the members themselves without any State control or dictation. The land of the society is taken in freehold or lease-hold. It is open to a member of a Co-operative Collective Farming Society to resign from the society and after due notice receive a refund of any capital he may have subscribed. A collective farm on the other hand, though apparently managed democratically is largely controlled by the State which makes it serve the production and price policies determined by the State. The State defines the production programme of a collective farm and lays down a rigid price policy for the greater part of the marketable produce of the farm. The land of a collective farm though originally belonging to the members becomes the property of the collective farm for its permanent use and the member loses irrevocably the right of individual ownership.

Recommendations.

29. The advantages of Co-operation in farming have not been demonstrated in India. "Probably the best way to overcome peasant dislike of such an innovation would be to get the scheme successfully working in one or two villages and then give the widest publicity, in the form of leaflets and wall-notices, to the economic benefits obtained, at the same time urging the peasants of neighbouring villages to visit the experiment and satisfy themselves on the spot."* We, therefore, recommend that experiments in co-operative farming should be organized in every province.

30. The organization of a Co-operative Collective Farming or a Co-operative Tenant Farming Society depends upon the society's holding land. We suggest that whenever the State acquires land by reclamation or otherwise, it should set it apart for the settlement of ex-servicemen, and, when these men are settled, they should be organized into Co-operative Collective or Tenant Farming Societies. Facilities to settle themselves on land should also be given to landless labourers. The capital outlay of these societies on agricultural machinery or operational needs should be provided by the State. In Madras, the State assists Co-operative Tenant Farming Societies with grants and loans for capital expenditure and guarantees repayment of loans supplied by central co-operative banks for operational need.

31. We further recommend that Co-operative Better Farming Societies should be more extensively organized. In our opinion there should be at least two Co-operative Better Farming Societies in each district. State aid consisting of the

* Food and Farming in Post-War Europe by P. Lamertine Yates and D. Warriner—page 74.

provision of (a) expert staff, (b) long-term loans to the society for its buildings, permanent improvements to the land and expensive agricultural machinery, and (c) intermediate-term loans for purchase of cattle and equipment and inexpensive agricultural machinery for the use of members should be given.

32. We recognize that the organization of Co-operative Joint Farming Societies may not be feasible in all places in India, and we, therefore, recommend that a modest beginning should be made by organizing two such societies in each suitable district. These societies should be organized wherever possible on the lines suggested by us in the previous paragraphs, and experiments may also be made on the lines suggested by Mr. Tarlok Singh, subject to such modification as may be considered necessary in the circumstances of each locality. As the formation of such societies is imperative in the economic interests of the country, the State should promote their formation by means of grants, subsidies and technical assistance and should make the greatest immediate contribution by supplying the services of farm advisers or manager or other staff. The working of these societies should be watched by the Co-operative Department and a report on them should be submitted by it after three years of their establishment to the Provincial Co-operative Council which would then decide whether more such societies should be started and suggest suitable areas for the new societies.

Each Co-operative Joint Farming Society should employ a farm manager, who is a trained agricultural graduate. It will also stand in need of the services of one overseer, one accountant and two clerks.

33. The benefits of co-operative joint farming will flow from the greater economic use of land and from the employment of more efficient technique, but it will take some time before they are realized. In the first few years, therefore, the expenditure on the entire establishment of a Co-operative Joint Farming Society should be met by the State. We suggest that the Registrar of Co-operative Societies should prepare an estimate of income and expenditure when he decides to start a Co-operative Joint Farming Society and should calculate what financial assistance should be forthcoming from the State in order that there may be sufficient surplus left for distribution of a fair return to the members of the society. We recommend that the financial assistance as calculated by the Registrar should be given by the State. The Registrar should review his estimates every year and make every effort to dispense with the State aid at the earliest possible date.

34. The central co-operative bank of the district to which the Co-operative Joint Farming Society is affiliated should give short-term and intermediate-term loans. Its long-term financial requirements should be provided by land mortgage banks on the security of land managed by the society. A subsidiary agreement should be taken from each member authorizing the

society to pledge his land for the loans raised by the society for land improvement. As, however, owing to the experimental nature of co-operative farming, members may be unwilling to mortgage their land through the co-operative society, and as the land mortgage banks themselves may be unwilling to make these loans for want of proper security, we recommend that the State should, where necessary, provide the long-term finance or guarantee the loans granted by co-operative banks.

35. As many demobilized soldiers may find it advantageous to join one or other of the co-operative farming societies described above it would be advantageous to have them trained for this purpose in improved methods of agriculture in classes specially conducted for the purpose by the Agricultural Department.

36. An important question that has to be considered in dealing with co-operative farming is the desirability or otherwise of mechanization. In most parts of Europe it has been unprofitable to mechanize to any considerable degree owing to the low rates of agricultural wages. In India these wages are lower still. We are of opinion that the pace of mechanization of the farms will depend on the speed at which surplus labour can be transferred from agriculture to other occupations. Before a co-operative farming society decides to introduce mechanization, it should apply to the Provincial Co-operative Council through the Registrar of Co-operative Societies for its advice and if the Council is satisfied that mechanization will improve agricultural production on the farm of the society it should recommend to Government to give necessary help, financially and otherwise, for the supply of machinery required by the society.

Fruit and Vegetable Growing.

37. The total average annual production of fruits and vegetables in India has been estimated at 6 and 9 million tons respectively. Although the production of fruits works out at 2 ounces per day for each adult, which is the bare minimum considered necessary for health, a very large population of India has no fruits to eat. The first step that should be taken is to review the production and requirement of each region and to determine what increase and of what kind are necessary. Such a review should be undertaken by the Agricultural Departments which should suggest areas suitable for growing fruits and vegetables. Fruit growing is largely hampered in this country by lack of irrigation. The survey suggested above should pay special attention to this factor and make proposals how the means of irrigation can be developed after the areas have been selected, Co-operation can undertake the organization of fruit-growers. The Central Food Advisory Council, which met at Delhi recently, recommended that co-operative societies should be started in order to stimulate the production of fruits and vegetables and to improve the marketing machinery. The Council also recommended that

co-operative societies should be organized for processing industries such as vegetable and fruit canning and preservation.

38. The existing position in India is that there are more than 100 fruit and vegetable growers' co-operative societies : the Punjab has 81 societies, Madras 18 and Bombay, Bengal, North-West Frontier Province, United Provinces, Central Provinces & Berar and Coorg have a few each. The societies in the Punjab deal mainly in mangoes, apples, dates and cherries. The 18 societies in Madras have 1,410 members who cultivate fruits on 29,177 acres of land. The value of the fruits marketed by the societies in 1943-44 amounted to Rs. 5.55 lakhs. The Kodur Fruit Growers' Co-operative Society in the Madras Province deals mostly in oranges, limes, mangoes and melons ; it sold fruits worth Rs. 4.83 lakhs in 1943-44. It received from Government a free grant up to 50 per cent of the cost of construction of a fruit grading station and a warehouse, subject to a maximum of Rs. 3,000 and a subsidy to meet half the cost of establishment and rent of 6 fruit depots, subject to a maximum of Rs. 20 per mensem per depot. In 1943-44 it supplied fruits to the Military Department which made an interest-free advance of Rs. 50,000 for loans to its members. Government sanctioned a special staff of one co-operative sub-registrar and three inspectors to supervise the scheme of supplying fruits to the Military Department. In Coorg there is a provincial organization for marketing oranges with sales depots at Mysore and Bangalore.

39. The main objects of these societies are to (i) teach members improved methods of cultivation of fruits and supply implements, seed, manure and grafts, (ii) give loans to members for growing more fruits and (iii) undertake such other activities as are incidental or conducive to the development of fruit growing. Their activities have, however, been so far mostly confined to the sphere of marketing.

40. In foreign countries, particularly in the U.S.A., the main function of fruit and vegetable growers' co-operative associations is marketing. But many fruit and vegetable growers' co-operative associations in the U.S.A. realize that an association exclusively for marketing does not meet all the needs of the members and more than half of them now handle fertilizers, insecticides and other production supplies. Production credit corporations owned by one or more associations are becoming more common, so that the services of financing, procurement of supplies and marketing of the crop may be obtained by the producer through one co-operative organization. Fruit and vegetable co-operatives in two states namely, Maine and Washington, are developing plans to furnish their members with complete service of this type.

41. During the war, fruit and vegetable farms have been organized with the assistance of military authorities for meeting the requirements of the Army. Now that the war has ended and demobilization will begin shortly, these farms should be handed over to and managed by civilians including

ex-servicemen, on co-operative lines. It is necessary to ensure that the benefits of the increased production and the experience gained during the war should not be lost.

42. We would like to refer here to the scheme of municipal "Green Belts" prepared by the General Headquarters. The object of the scheme is to reserve a stretch of open country (Green Belt) girdling a town for growing fruits and vegetables, providing grazing grounds for the dairy and meat cattle and sheep and developing such subsidiary activities as poultry-farming and bee-keeping in order to ensure a plentiful supply of protective food to the people within their easy reach. Certain areas in the belt are also to be set aside for recreational purposes.

According to the scheme, all municipalities which are planning their future development should provide for the creation of Green Belts. The area to be developed as a Green Belt will be demarcated by the municipality and declared as such by the provincial government.

The municipal authorities will decide whether the dairy farms and garden farms should be worked by individual peasants, by the municipality itself, or by co-operative societies, but the scheme suggests that the co-operative method is calculated to serve the best economic interests of the community and that the municipalities should encourage the farmers to organize themselves into co-operative societies. The municipality should render, whenever necessary, every assistance to the farmers in making the change to the production of protective foods. The Green Belts will then be divided into convenient areas, for allotment to market garden co-operative societies and co-operative dairy societies. The members of each society will be settled in a small colony within or on the edge of the Green Belt. Each co-operative society will have a number of sales depots in the urban area.

We recommend that where land within a Green Belt is on sale, the municipality concerned should purchase it and make it available on easy terms to co-operative societies, the membership of which should consist of ex-servicemen and others in the Belt.

43. As fruits and vegetables are perishable by nature, it is necessary to provide for quick transport to the markets and for storage and refrigeration. We propose that production of fruits and vegetables should be increased on a large scale. In order to avoid seasonal gluts and scarcity it is necessary that preservation and canning industry should be established. In the existing circumstances no such industry seems to have a chance of establishing itself without protective measures against foreign competition. We are of the opinion that this industry should receive protection. Where sufficient cold storage facilities are not available on any railway or any other forms of transport service, the fact should be reported by the Registrar to the Provincial Co-operative Council who should

see to it that such facilities are made available.

Recommendations.

44. Our recommendations are that :—

(i) In every area found suitable for fruit-growing, cultivation of fruits should be undertaken through co-operative societies.....

(ii) The functions of the societies should be to :—

(a) encourage self-help, thrift and co-operation among members,

(b) act as the agent for the joint purchase of the requirements of members,

(c) teach members improved methods of cultivation of fruits, and supply implements, seed, manure, grafts, insecticides and sprayers,

(d) arrange the sale of fruits of members,

(e) give loans to members for cultivation and

(f) undertake such other activities as are incidental or conducive to the growing and marketing of fruits.

(iii) The societies generally require finance for three purposes, viz., (a) to finance cultivation of fruits, (b) to make partial payment prior to sale of fruits and (c) to buy, build or lease inexpensive plants. The necessary finance should be obtainable ordinarily from the central co-operative bank. The period of loans advanced by central banks for the purpose may extend up to seven years.

(iv) When a sufficient number of fruit and vegetable growers' co-operative societies have been organized in a particular area, they should be federated into Marketing Associations for co-ordinating the activities of the primaries specially as regards supply of improved seed and manure, provision of cold storage and transport facilities and opening sales depots. Finance for seed, manure, and running sale depots should be obtainable from co-operative central banks.

(v) Provision of cold storage and refrigeration will be expensive and a co-operative society will not be able to provide them without financial assistance from the State. We, therefore, recommend that the State should give this assistance.

(vi) The vegetable farms now run by the military authorities should be handed over to civilians including ex-servicemen to be run on co-operative lines.

(vii) Where municipalities adopt the Green Belt Scheme, the Green Belt farms and industry should be organized on co-operative lines. The members of co-operative societies so organized will be the existing owners of the plots of land in the area and ex-servicemen also may be settled on land acquired by the municipalities.

(viii) The Co-operative Department in each province should appoint a Fruit Growing Officer with the necessary staff, who

will work under the Registrar and promote, supervise and guide the work of fruit and vegetable growers' co-operative societies.

45. Forests give protection against erosion and flood. They also supply fuel and small timber to the villagers and raw material for industries. It is estimated that the minimum area of forests, properly distributed for protective purposes and supplying the requirements of the general and the village consumer, is between 20 and 25 per cent of the total area of the country. In Assam, Central Provinces & Berar and Madras the forest area comprises more than 20 per cent of the total area, but in the United Provinces, Bihar, Orissa, the Punjab, North-West Frontier Province and Sind the forest area is inadequate and unequally distributed. Preservation and extension of forest areas are, therefore, of great importance to this country. **Co-operative Forest Societies.**

46. A forest is a slowly maturing asset with little return on the investment in the early years which may in some cases be longer than a man's average life. The development of forests cannot, therefore, be left entirely to private enterprise which, naturally, expects full return within a shorter period and may exploit the resources to the serious detriment of forest management. The Co-operative movement is also ill-equipped to undertake this work as it has neither the necessary funds nor the necessary technical knowledge. Forest preservation, protection and management must, therefore, be the special responsibility of the State.

47. There is, however, a small sphere in which co-operative societies are rendering useful service. In the Punjab, for example, on 31-7-44, 30 co-operative village forest societies were working in the Kangra District a scheme prepared by the Forest Department for the preservation and scientific exploitation of village forests. These societies have been entrusted with the work of protection, management and improvement of all the forest areas in their jurisdiction, including those belonging to Government. Special staff has been appointed by the Co-operative Department to organize and supervise such societies. A society is organized when 75 per cent of the right-holders in the village paying two-thirds of the total land revenue agree to join it. Applications under Section 38 of the Forest Act for closure of private and 'shamlat' lands are taken and a plan of work is prepared for each society by a special officer of the Forest Department in consultation with the villagers. The plan is then put to the general meeting for its approval. For watch and ward and supervision of the area administered by it, the society maintains a staff of forest guards, etc. Only trees marked by the District Forest Officer can be cut with his permission and for agricultural and household needs and ceremonies only. The forests and closures of the society are periodically inspected by Forest Officers who advise and guide the staff of the societies and the Co-operative Department in all technical matters. Government assist the

societies by giving them as grants all the revenue collected from the Government forests in the areas administered by them. The position of the societies on 31-7-44 is given below :—

No. of societies.	No. of members.	Area under management (in acres).			
		Protected or Reserve.	Undermarcated.	Total	Of which under closure.
30	3,750	7,963	19,456	27,419	19,375

48. Co-operative societies for reclamation and improvement of ' chos ' and waste land have been organized on a large scale in some parts of the Punjab where a good deal of land has become uncultivable as a result of erosion. The main object of these societies is to jointly control, reclaim and manage waste lands and ' chos ' ridden areas in that locality. When right-holders constituting at least 35 per cent of the total number or owning at least two-thirds of the land in the area concerned agree to closure, the provincial government is approached and may then enforce certain Sections of the Indian Forest Act for closure of the land to grazing, etc. An up to date record of rights of the area concerned is then prepared by the Revenue Department while the Forest Department works out a detailed plan for reclamation and management of the area. Members have to individually agree to work the plan, the penalty for failure to do so being a fine that may be imposed by the managing committee. The recovery of the land so closed is not generally left to nature, but is assisted by the construction of dams, digging of contour trenches and plantation of suitable shrubs and trees. The work is mostly done by members under the direct supervision of the managing committee and under the guidance of the Co-operative and Forest Departments' staff. To ensure effective closures, forest guards are appointed to watch and protect the land against damage and provision has been made for levy of compensation to the society in such cases. The land continues to be closed till the working plan is complete or till the land is declared by the Forest Department as fit for cultivation or other use. Working plans generally extend over a period of 5 to 10 years. If a society fails to effectively protect the land, compulsory protection if and when considered essential by the Forest Department can be resorted to under certain Sections of the Land Preservation Act. Income from the closed lands goes to the society and after necessary deductions for reserve fund, etc., is distributed to the members according to the rights held by them in the land. Government make grants to the societies through the Forest Department on the recommendation of the Co-operative Department. On 31-7-44 there were about 400 of such societies throughout the province with a total membership of over 12,000.

49. In almost every village in India, there are tracts of land which are either unculturable or covered by scrub jungle. Co-operative societies of the owners of such land should be formed

with the objects of planting trees on culturable waste land and improving the scrub jungle so as to provide supplies of timber for building purposes or for agricultural tools and implement, or of wood for fuel. We have referred at another place in this Report to the enormous waste of farmyard manure by its use as fuel ; this waste will be stopped if these societies are successfully organized and worked. We recommend that the Registrar of Co-operative Societies should, in consultation with the Forest Department, organize Co-operative Forest Development Societies in suitable villages in which surplus land for afforestation is available.

50. Co-operative societies should also be formed in the villages which suffer from excessive erosion and have been badly cut up by ravines. Experience shows that afforestation of ravine lands and the growth of grass go a long way in checking denudation, but the success of any anti-erosion measure depends largely upon rotational extraction of timber and grazing. We recommend that a scheme in each such village for the protection of ravine lands should be prepared by the Forest Department, and its execution entrusted to a co-operative society of the owners of the land, under the supervision of the Forest Department.

CHAPTER IV.

ANIMAL HUSBANDRY AND FISHERIES.

Introductory.

Animal husbandry has been defined as the art of producing, maintaining and disposing of all species of domestic animals and birds, and their products, to the best advantage of man. The subject may be divided into many sections such as cattle husbandry, sheep husbandry, dairy husbandry, poultry husbandry, and such industries as those of wool, silk, eggs and hides and skins. India has a large livestock population consisting principally of over 200 million cattle, 100.5 million sheep* and 190.7 million paultry†, the number of cattle being the largest of any country and nearly one-third of the world figure. Cattle are reared in India not only for milk and meat but also for the plough and the cart ; sheep breeding is important for its wool and meat ; and poultry farming provides eggs and birds. Besides, the livestock industry offers other by-products such as hides and skins, bones and manure.

Cattle Breeding—present position.

2. The Royal Commission on Agriculture (1926) stated that India was maintaining an excessive number of cattle. "Having regard to the very poor quality of the grazing available, and to the fact that it fails to afford adequate maintenance for cattle at the season of the year when fodder grown on cultivated land is scarcest, we are of opinion that this number of cattle is a heavy stock for land to carry. If the cattle are to yield a profit which would be accepted as satisfactory in countries where stock-keeping is strictly economic, the bullocks would require to be fully employed, the cows to be of a heavy milking strain and the manure to be carefully conserved and returned to the land."‡ The Commission further observed that cattle were not only excessive in number but also generally extremely poor in quality ; a few good indigenous breeds existed in the country, but they too were affected by the process of deterioration that was at work. Since the Commission reported, conditions have not materially improved, and now a determined effort seems necessary to place the industry on a high level of efficiency.

Co-operative societies for cattle breeding.

3. Cattle improvement has been the principal object of the organization of co-operative cattle breeding societies in India. At present there are about 824 such societies in British India, of which 739 are in the Punjab. The objects of a typical

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* Report on the Marketing of Milk in India and Burma—page 2.

† Report on the Marketing of Eggs in India and Burma—page 5.

‡ Report of the Royal Commission on Agriculture in India—paragraph 164.

society are : to improve the breed, purchase and sell improved stock and educate members especially in the breeding of cattle. It is binding on members not to allow their animals to be served by any bull other than the one selected by the society or the Veterinary Department. The managing committee of the society supervises the proper breeding, feeding and grazing of the animals, examines the cattle annually, recommends the rejection of defective ones and arranges for veterinary aid in case of need. The society maintains a record of all stock and of progeny of each pedigree bull, and milk records of animals bred for milk production. Members pay a fee to the society on calving of young stock and a commission on the sale of animals. The work of these societies is supervised by a staff of 6 inspectors and 2 sub-inspectors. In Madras, some of the societies maintain one or two stud bulls each, at their own cost or out of Government grant, while in some other societies the bulls are maintained by selected members and the society shares with them equally the subsidy paid by the Veterinary Department for maintaining pedigree bulls. Rural credit societies also assist in cattle improvement by advancing loans to their members for purchase of cattle of superior breed, while some of the more efficient among them maintain a pedigree bull.

Scope for co-operative effort. (a) General.

4. A co-operative society with limited membership working with small resources and unskilled personnel, and depending largely on State subsidy to maintain its stud bulls, cannot shoulder a task which requires systematic effort involving a studied selection of breeds that are to be propagated in the area, the supply over a period of a sufficient number of pedigree bulls to serve all the cattle in that area and the elimination of all bulls not required for breeding. In our opinion it is the duty of the State to undertake this work of selecting breeds and supplying bulls in sufficient numbers. For this purpose, it should establish cattle farms, first, in the principal cattle-rearing areas, and, later, in other areas. To eliminate scrub bulls and other bulls not required for breeding, it should enact legislation providing for the compulsory castration of such animals over a certain age and should entrust this work to the Veterinary Department.

5. Once the State has made these arrangements, co-operative societies can play their part in multiplying the improved breeds all over the country. We recommend that every primary co-operative society should have its members' cattle served by approved bulls. To defray the expenses, the society should levy a fee on members either at the time when an animal is served or when it calves, and may also collect a commission when an improved stock is sold. Loans to members for the purchase of superior cattle should be advanced on easy terms by the State through co-operative organizations. We further recommend that the Co-operative and Veterinary Departments

should take active interest in the work of cattle improvement and should encourage the rearing of good animals by periodically holding cattle shows at which prizes should be awarded for animals of outstanding qualities.

(b) Nomadic cattle breeders.

6. There are a few nomadic tribes in India like the 'rabaris' of Gujarat who own and breed cows and buffaloes and the 'odes.' of the Punjab who own and breed mainly sheep. With a view to providing them with facilities for improving their animals, they should be organized into co-operative societies, inducement being provided by the State or local authorities by reserving grazing areas for such societies. Surveys should, therefore, be made with a view to finding out whether grazing land exists which could be allotted to these societies, and Government farms should supply pedigree bulls and rams to them.

Shortage of cattle fodder.

7. The problem of fodder shortage can be solved to some extent through "controlled" grazing and conservation of green fodder. "Controlled" grazing has been recommended by the Royal Commission on Agriculture in the following terms :"..... .....an attempt should be made to demarcate those areas likely to be most suitable for grazing, and to assign them to groups of occupiers of tillage land at nominal rates, on condition that they graze the land in rotation, exclude cattle not owned by the group, and cut grass from part of the area for use in the hot season."* We recommend that the primary village co-operative societies should acquire on lease grazing lands where available and allow members, on payment of stipulated charges per animal, to graze their cattle on them according to a scheme of regulated grazing prepared by the society and approved by the Forest Department.

8. The green fodder available during the monsoon can be conserved for periods of fodder scarcity by the method of silage. The process consists commonly in digging pits of a given size, filling them with green succulent fodders and weighting with earth or stones. The Royal Commission on Agriculture estimated that a pit 10 feet long, 8 feet wide at the surface and 7 feet wide at the bottom and 8 feet deep would hold all the silage that a cultivator owning, 3 or 4 cattle would need to bring his stock through the hot season in good condition. The rural co-operative societies should undertake to conserve fodder through silage for distribution during the dry season. This function should ordinarily be undertaken by the multi-purpose societies, but when the out-turn of silage is great, a special society may be established for this purpose. The Forest Department should permit such societies to remove grass from the Reserve forests free of cost for ensiling purposes. The Agricultural Department also should assist societies undertaking silage making, as proper preparation of silage requires a certain amount of technical knowledge, use of mechanical

* Report of the Royal Commission on Agriculture in India—Paragraph 183.

chaff-cutters as well as proper accounting of the receipt of green fodder and distribution of silage.

Prevention and treatment of cattle diseases.

9. Disease control is a function of the Veterinary Department. At present, a large number of cattle perish annually through disease because the cattle owners often do not have veterinary aid within easy reach. Another reason for the large mortality of cattle is that the owners too often venture to have the animals treated at home by persons having little knowledge of medicine. If, therefore, the various efforts at cattle improvement are not to be frustrated, as they have been hitherto, by the ravages of disease, it is necessary that in the first instance the Veterinary Department should extend its services so as to reach as near as possible to every cattle-owner. In the urban areas, a veterinary centre in a convenient part of the town would suffice. In the rural areas, while it would be ideal for each village to have its veterinary post, we recommend as a minimum requirement that there should be at least one veterinary centre for a group of 2 to 5 villages. Secondly, it would be necessary to keep the cattle-owners informed of the veterinary services within their reach and to persuade them to have their diseased cattle treated by the veterinary personnel. For this purpose, the co-operative societies will have to function as an intermediate agency. In order that they may know the arrangements made from time to time in each area by the Veterinary Department, we recommend that the Co-operative Department should obtain up to date information from the Veterinary Department regarding the veterinary services maintained in each area and make such information available to each society. We further recommend that the society should report to the local veterinary office the outbreak of epidemics, persuade members to bring their diseased cattle for proper and timely treatment and see that the disease-controlling measures are carried out. The veterinary personnel, besides attending to disease, should also periodically visit the villages and inspect the cattle.

Milk.

10. Milk is recognized as the most valuable single article of man's diet, being both a nutritive and a protective food. It has been estimated by the Milk Sub-Committee appointed by the Policy Committee on Agriculture, Forestry and Fisheries that the total production of milk at present is 21 million tons (a year), of which only 27 per cent is used as whole milk, and that if 50 per cent was to be used, it would still necessitate the production of 60 million tons to meet the minimum requirements of each individual in India. It has also been estimated that there are 22,800,000 producers of milk in India. No attempt to reach the target figure of production within a reasonable period of time will be successful unless the very large number of producers are properly organized. We are of the opinion that co-operative organization is the most suitable form

of organization for bringing together the producers of milk in suitable groups so as to enable them to adopt improved methods of milk production. There is considerable scope for co-operative organization in the distribution of milk also.

Co-operative distribution of milk & manufacture of milk products in foreign countries.

11. Co-operation in the field of milk distribution and manufacture of milk products has made great progress in European countries. Denmark has been the home of co-operative dairies. There, the co-operative dairies handle milk of 86 per cent of the cows in the country. They have been formed into district associations and national federations, and are greatly assisted by export, stock-breeding and cow-testing societies. Again, in Ireland, the co-operative creamery movement is the most important branch of Co-operation. The societies have been an important source of credit to their members, usually for the purchase of cows. In Finland and New Zealand also nearly four-fifths of the dairy industry is co-operatively organized ; and a number of centralized selling agencies have been set up, in Holland. It is interesting to note the way in which Swiss cheese-making co-operatives grew up. Each society started initially with unlimited liability, raised credits, equipped a small factory and leased it to a professional cheese-maker, the latter undertaking to purchase milk at an agreed price, to manufacture the cheese, and to sell it also at a fixed price to the Central Union of Dairy Societies ; but it was not long before the society itself started manufacturing cheese.

Co-operation in the marketing of milk in India.

12. Most of the milk is produced in rural areas while the profitable market for milk and milk products is largely urban. Co-operative milk supply societies and unions have been organized for ensuring adequate supplies of fresh milk to urban consumers. Before the war, the societies supplied only about ½ per cent of the demand of the urban fluid milk trade, but recently attempts have been made to increase their share in milk distribution in Madras, the United Provinces and Bengal. There are 24 unions and 388 primary societies at present in British India. The unions situated in the towns arrange milk supplies through primary "feeder" societies located in the villages within a radius of 15 to 20 miles of the town. The unions are largely responsible for the business of the primaries, the assembling of milk produced in the villages, the parsteurization and quality analysis of milk, and its regular distribution to the urban consumers.

13. The Calcutta Co-operative Milk Supply Societies' Union has 128 member societies divided into groups of about five each under a supervisor who attends to the quality and regular supply of milk. Three milkers and one carrier are employed by the Union for a society having 40 to 50 members and suplying one to one and a half maunds of milk per day. Cows are milked at each member's place. For each group a separate depot manager is employed at the headquarters of the group for receiving the milk. The societies have their

own cans for sending milk from villages to depots. Lactometer tests are carried on in the villages by supervisors, at the group headquarters by depot managers and at the Union's office at Calcutta by a special staff employed for the purpose. Milk is pasteurized at the premises of the Union and distributed in the City through delivery man. The Union has also retail selling depots in some of the municipal markets. Other activities of the Union include the distribution of stud-bulls for free service to members' cows and the employment of a veterinary inspector who inspects and treats the cattle. The Calcutta Corporation assisted the Union with a non-recurring grant of Rs. 5,000 and an interest-free loan of Rs. 50,000 for erecting its pasteurizing plant.

14. The Madras Milk Supply Union admits both societies and individuals as members. At the commencement of each season every member makes an agreement to supply a minimum and a maximum quantity of milk. The animals are milked at central places on the country-side and the milk is transported to the city where it is pasteurized before distribution. The normal cost of pasteurizing is 1½ to a 2 pies per seer, but due to the war the cost now amounts to 3 to 3½ pies per seer. Delivery men on cycles distribute the milk in bottles to consumers; but milk is also retailed through 6 sales depots spread throughout the city. The Union also advances loans to members of affiliated societies for purchasing milch-cattle and fodder. Government provided the Union with a loan of Rs. 25,000 at 3 per cent interest, repayable in 10 years, at the time of setting up its pasteurizing plant. Under a recent scheme for increasing milk supplies to the City, Government have sanctioned to the Union an interest-free advance of Rs. 4.20 lakhs for granting loans for the purchase of milch-cattle, and have also sanctioned, free of cost, a staff of one Deputy Registrar, 18 Junior Inspectors, 3 Co-operative Sub-Registrars, and 2 Veterinary Officers. The Union supplies about 8,000 lbs. of milk daily to the Army with whom this arrangement has been entered into in return for financial assistance to the Union of an interest-free advance of Rs. 2.4 lakhs for purchasing milch-cattle, an advance of Rs. 60,480 equal to the value of a month's supply of milk, and supervising staff, transport service, etc. free of cost.

15. The Lucknow Milk Supply Union admits primary milk supply and other co-operative societies and individuals as members. Societies have to purchhase each a share of the value of Rs. 100 payable in equal instalments in 10 years and individuals each a share of Rs. 50 payable half on allotment and the remainder within 6 months thereafter. Animals are milked at a common place in each village in the presence of officials of the society. Milk is moved in cans provided by Union and collected at centres where it is weighed and tested, adulterated milk being returned to the society. Milk is then despatched

to the dairy at Lucknow where it is weighed, boiled, cooled and kept in cold storage. Consumers are supplied at their door by delivery men on cycles ; a system of payment with coupons is followed. The cost of collecting, cooling and distributing milk worked out to about Rs. 1-8-7 per maund in 1940-41. A staff of one manager, one assistant manager, one dairy expert, one accountant and a number of clerks and bicycle-men is employed at headquarters and a staff of one supervisor, two dairymen, one clerk and a number of carriers is attached to each collecting centre. Government have assisted the Union with grants of Rs. 20,000 for general purposes, Rs. 5,000 for a motor van and Rs. 5,400 on a contributory basis, for constructing milking sheds.

Scope for Co-operation in the marketing of milk—(a) in villages and towns.

16. We recommend the formation of co-operative societies of milk producers in the villages situated within a radius of about 30 miles from towns with a population of 30,000 or more. The societies should especially be formed in those areas lying beyond a distance of 10 miles of the town, for, the milk producers there have much greater difficulty on account of distance than those in the less distant areas in moving their milk to the urban market, and often the former group of producers find this market totally inaccessible to them. The special transport arrangements that the milk unions will be able to place at the disposal of the societies will provide a much stronger incentive to the producers in distant areas to join the societies in order to reach the urban market than to those nearer the town who have relatively easier access to it. If a majority of members of the village primary society is interested in milk supply, we recommend that it should serve as a milk collecting agency also ; in villages where there is no such collecting agency, we recommend that a separate milk supply society should be organized. It is necessary to prescribe a minimum daily quantity which each such society must produce and supply. The quantity will vary according to the local conditions ; but a minimum of 300 lbs. should be aimed at. The functions of the village primary society or the milk supply society will be to notify to the milk union at the commencement of each month the approximate quantity of milk its members can supply daily, disburse payments to its members at the end of each month, and distribute among members any subsidy given by the union. Members' cattle should be milked in the presence of the secretary of the society in charge of milk supply and at a conveniently situated common shed, which should have, among other things, an impervious floor and a covered roof. Where such common sheds are not available, a scheme whereby the members can supervise each other's milking should be prepared. We recommend that the funds for constructing the shed should be provided by the State. The ordinary financial needs of the members for, *e.g.*, the purchase of cattle of an improved breed or cattle feed, will, however, be satisfied by loans and advances

made by the village primary society or the milk supply society. These societies will draw their funds from loans from the milk union or the central co-operative bank. Each society will incur a monthly expenditure of about Rs. 50 under the following heads :—

Pay of secretary in charge of milk arrangements	..	Rs. 30 p.m.
Pay of one menial	..	Rs. 15 p.m.
Stationery and contingencies	..	Rs. 5 p.m.
Total	..	Rs. 50 p.m.

17. The milk unions will be entirely producers' organizations, formed by a federation of the village societies organized for milk supply. The number of societies affiliated to a union will depend upon the location of the societies, their distance from the union, availability of roads and transport arrangements and the quantity of milk they are able to produce. Perhaps, on the average, a union will have about 25 to 30 societies affiliated to it. It may also be necessary to collect milk from a group of villages first at a primary collecting centre and to transport it to the union thereform. The main function of the unions will be to collect milk in villages, transport it to the towns and market it to the best advantage of the producers. The milk arrangements to be made by the unions must include (i) a guarantee to the producers of a fair price for a standard quality of milk, (ii) the appointment of a supervisor for a group of villages within the itinerary of a single milk collecting van, who is to weigh and test the quality of milk and generally supervise the work of the village societies and (iii) the provision of speedy transport vehicles and sanitary milk containers to move the produce from the village to the union's office in the town either directly or *via* the primary collecting centres. In the Chapter on Consumers' Co-operation we have suggested that the raw milk supplied by the unions is to be delivered daily on a contractual basis to consumers' milk distributing societies which will undertake its pasteurization and distribution to consumers. The contract will, among other things, prescribe the minimum and maximum quantities of milk that the union is to supply daily to the society. Ordinarily, it will happen that all the milk collected by the union will be taken away by the society. If supplies fall short on any day, the union will have to resort to buying milk from individual producers to make up the deficiency, and on the other hand, if supplies are excessive on any day, the consumers' society will have to assist in its dispotal by marketing as much as possible and processing the remainder. As regards the capital required by the union for purchasing transport vehicles and milk containers, which we estimate at about Rs. 50,000 we are of opinion that its share capital will not be able to provide any large proportion of it and that, therefore, the State will have to meet the entire capital requirements. Even the working expenses of

the unions are likely to be heavy at least initially and we recommend that the State should bear them to the extent of 50 per cent for the first five years.

18. An average milk union will incur the following costs :—

	Rs.
1. Capital expenditure on buildings, transport vehicles and milk containers	50,000
2. Establishment :	
Secretary	150 p.m.
Accountants	100 „
6 Supervisors (at Rs. 50 p.m. each)	300 „
6 Transport drivers (at Rs. 30 p.m. each)	180 „

Note :—If the milk union is expected also to process the milk before distribution, it will require a proper dairy and a milk processing plant. It will also need technical and administrative staff for this work. These have not been included in the above figures, on the assumption that the milk will be handed over to the consumers' societies as suggested in Chapter IX.

(b) In large cities.

19. In larger cities, as for instance those with a population of one lakh and over, the interests of the consuming public may be served best by the establishment of statutory Milk Marketing Boards. In this connection a reference may be made to the Milk Marketing Board for England and Wales organised for the purpose of regulating the milk trade. The scheme under which the Board was established divided the country into eleven regions and required all producers in them having more than four cows to register themselves. Producers in each region elected one member to the Board and the registered producers as a whole elected five more members. The Board, after consultation with the purchasers of milk, was to fix the wholesale and retail prices for liquid milk and the wholesale price for milk going into manufacture. Producers contracted as before to sell milk to their clients, the only difference now being that the Board also formed a party to the contract and all payments were to be made to it. If further bound itself to accept any milk which the producer could not sell, and dispose of it by sale or manufacture, for which it usually charged a commission from him. Producers in each region were paid for their milk by the Board according to a regional pool price which was calculated monthly as follows : Each region was credited with the receipts from all milk sales in it ; on the total sales a levy was made for the purpose of meeting the expenses of the Board and a further levy was made only on the liquid milk sales for the purpose of granting inter-regional compensation ; the balance was then allocated among the producers according to the quantity supplied by each. In the expenses of the Board were included the payment of a premium for milk which satisfied certain standards laid down by it and any losses incurred by it on account of handling milk. Transport charges and any deductions for inferior quality were

charged to individual producers. Under this scheme the class of producer-retailers received special treatment. These persons were required to register themselves and to adhere to the prices and regulations laid down by the Board but were allowed to receive payments direct from the purchasers. They had to pay to the Board the inter-regional compensation levy, the general levy (when required) and a sum equal to three-fourths of the difference between the regional pool price and the local retail liquid milk price. In India, an attempt should be made to organize co-operative societies for the distribution of milk, wherever possible, as recommended in Chapter IX. The Boards which we contemplate for the larger cities will differ greatly from the English Board. They would be public corporations composed of the representatives of Government, the municipalities, co-operative milk supply unions and producers of milk. They would be authorized to purchase raw milk from milk unions. They would then pasteurize and distribute it to consumers and process any surplus into milk products. They would guarantee to the unions a fair price for milk of tested quality and an offtake of all the produce collected. While these Boards would not have a monopoly of the liquid milk market, they should be in a position to supply, say, 30 per cent of the requirements of the cities in which they are established, in order to be able to make an effective contribution to the improvement of the milk situation. In those towns where co-operative societies for the supply of milk already exist and are functioning well, or can be organized, no Milk Marketing Boards, as recommended above, need be set up.

20. At present there are 43 towns with a population of 1 lakh and over, 76 with a population of 50,000 to 1,00,000 and about 95 with a population of 30,000 to 50,000. In order to make an effective contribution to the organization of milk supply to these towns, we estimate that about 300 milk unions will have to be started within a period of five years. Their total capital costs will roughly amount to Rs. 1.5 crores and their recurring costs to about Rs. 26.28 lakhs a year. The State should bear the capital costs to the full extent and the recurring costs to the extent of 50 per cent, that is, Rs. 13.14 lakhs per annum. In meeting this large expenditure and thereby helping to keep milk prices low the State will to some extent discharge its responsibility for the nutritional condition of all its people.

Salvaging of dry cattle.

21. Recently, the Government of Madras have sanctioned a scheme for salvage of dry cattle in Madras on a co-operative basis. Under it a co-operative society has commenced work, and is assisted at present by a Co-operative Senior Inspector. It receives dry cows from members and delivers them to a Veterinary Assistant Surgeon specially appointed for this purpose and stationed at Madras, who arranges to send them, when a sufficient number is collected, to a forest area reserved for

salvage work. There, a stockman-compounder takes charge of the animals and tends them till they calve again, when they are sent back, in batches, to the Veterinary Officer at Madras and returned to the respective member-owners by the society. A salvage fee of Rs. 5 per month per cow is levied. The cost of sending the animals to the forest area is met out of the funds obtained from salvage fees, but the cost of bringing them back is borne by the owners. The risk of loss of animals through disease, theft, etc., is borne by the owners. The scheme provides for the maintenance of three bulls by the stockman-compounder for serving the cows in his charge. The functions of the society are : to collect the animals and salvage fees from members, to inform them about the condition of their animals on the farm and about any ailments or casualties reported by the Veterinary Officer and to issue permits to them to bring back their cows whenever they desire to do. Government have sanctioned a non-recurring expenditure of Rs. 5,150 and a recurring expenditure of Rs. 10,044 on the scheme. In the larger cities where producers experience great difficulties in maintaining dry cattle, we recommend that special co-operative societies should be organized for doing the work of salvaging the dry animals. They should collect at convenient intervals dry cattle as well as young stock which the owners in cities are unable to rear and send them to neighbouring pasture lands acquired on lease for the purpose. The cattle should be placed in charge of the Veterinary Department of Government which should be equipped with the necessary staff. For the success of this scheme it is necessary that every member sending his cattle to the salvage depot should do so at his own risk.

Co-operative Dairy Farms.

22. Salvaging, is, however, only a temporary solution of the problem of milch cattle in the cities. The conditions under which buffaloes and cows are stabled in large cities like Bombay are, to put it mildly, appalling, unhygienic, insanitary, unnatural and expensive. It has been suggested that dairy farms, on the lines of the military dairy farms, where animals can be maintained in colonies, should be established on the outskirts of towns and cities. These farms should be organized on co-operative lines, and owners of milch cattle particularly 'gowlis' and others owning a few cattle in large cities should be induced to form co-operative societies. They will settle in these colonies with their cattle. The societies should provide stables, milking yards, dairies, stud bulls, veterinary aid, storage accommodation for feed, etc. Each member will look after his own cattle stationed in the stables and deliver milk to the societies' dairy. Such societies should be offered by Government or local bodies sites on attractive terms, for keeping their cattle, at convenient distances from the cities. It should be possible for such farms to stable 300 to 400 animals at a time. Convenient grounds for exercise and grazing would be available outside the cities and within the range of the cattle

farms. These co-operative cattle owners' societies should be able to adopt improved methods of milk production which have already been current in the military dairy farms. They should also be able to engage some of the personnel which will be released from the military dairies in course of time. It will also be possible on these farms to arrange for the proper care of dry animals and rearing of the young stock and to provide facilities for grazing, silage making, etc. These societies will be in a position to supply regularly the milk produced by the cattle kept by them to milk unions or consumers' milk distributing societies in the urban area.

Manufacture of milk products.

23. Milk products are made on a large scale in some important dairying regions of the country. In the United Provinces, co-operative societies have undertaken the preparation and marketing of such products as ghee, khowa, casein, etc. Besides a Khowa Scheme is in operation under which co-operative societies assemble their members' milk in about 30 centres where it is turned into khowa. We recommend that in those areas where there is no local market for liquid milk or where milk is generally in surplus or where the manufacture of milk products is an important cottage industry, co-operative societies should be organized to undertake the manufacture of dairy products such as butter, ghee, khowa, casein, etc., these co-operatively made products being " Agmarked ".

Sheep breeding.

24. Sheep breeding to-day provides an income from both wool and meat to a number of graziers, cottage weavers and others. In order to improve the quality of India wool, the Imperial Council of Agricultural Research has sponsored a number of experimental schemes for sheep breeding in various provinces. Co-operative societies organized among sheep-owners will greatly facilitate the fruition of these scheme. We, therefore, recommend that attempts should be made to organize co operatively the flock-owners in the North-western parts of the country such as Rajputana, North-West Frontier Province, Baluchistan, etc., as well as in other hill regions where sheep-rearing is practised on a large scale. As information regarding the conditions in these regions is lacking, it is not possible to indicate the number of such societies to be organized and the general lines on which they should work. We, therefore, recommend that the Provincial Co-operative Council should examine the needs of particular areas for setting up co-operative societies for sheep breeding. The State should provide these societies with the staff and equipment necessary to undertake the freeing of wool from dirt and yolk and the grading of the product.

Poultry farming.

25. Poultry farming merits attention because it provides an important source of subsidiary income to the poorest classes of people in the country. The existing poultry farming societies are chiefly concerned with the collection, grading and sale of eggs. The number of such societies in British India is not

large. These societies collect eggs from their members on the basis of outright purchase and pay the price once a month. The eggs are tested by water test, weighed, graded A or B and then packed. The advantages of selling through a society of this type is that a member gets better price for his eggs and bonus *pro rata* according to the number of eggs sold through it.

26. In a few provinces, like the United Provinces, provincial organizations have been set up for the propagation of improved breeds of poultry and for the marketing of eggs and poultry; but no concerted action has so far been taken in this direction, and the central organizations where they exist are languishing for lack of patronage. The country-bred poultry has, for lack of proper feeding and owing to indiscriminate breeding and careless rearing, deteriorated to such an extent that, as in the case of cattle, a determined effort has to be made to place poultry farming on a high level of efficiency. We recommend, therefore, that every province should have a Model Poultry Farm at convenient centres the cost of which should be borne entirely by the provincial government. It should be entrusted with the duty of propagating improved breed of poultry by acting as a nursery from which better breeds will be taken. It will further advise individuals or associations interested in poultry breeding as regards the feeds, protection against diseases, incubation and rearing of chicken. It may also undertake the disposal of the product of poultry farms. It may also introduce the use of improved containers for the packing and transport of eggs. It should, in any case, establish contacts with large customers like the Army or hotels or organized markets so that can be in a position to give information on the marketing of eggs and chicken to the persons or societies who or which deal with them. We recommend that the Co-operative Department should take advantage of the Central Model Poultry Farm by widening the functions of the existing poultry farming societies and starting new ones, and bringing the latter in close contact with the former. In order that the Co-operative Department may be enabled effectively to discharge this duty we recommend that it should have a special officer and staff to promote, supervise and guide the work of poultry farming societies.

Animal products.

27. There appears to be considerable scope for Co-operation in the proper use of valuable products which can be recovered from dead animals, and many of which at present run to waste. Hide can be used for making tanned leather, meat and bone and blood may be used for making valuable manure, and fat and guts can be used for industrial purposes. The disposal of dead animals is at present done by the most backward classes of the community. Their organization into co-operative societies will serve the double purpose of improving the standard of living of these classes and of making available to the country valuable

by-products of animals husbandry. This question should be fully investigated by the Provincial Co-operative Council.

Fishing Industry-its present position and scope for development.

28. The fishing industry of India consists of two main classes, inland and marine. The inland fishery, again, falls into two divisions, fresh water and estuarine ; and the marine fishery also has two classes, foreshore and off-shore, and deep sea. Sea fishery is at present confined to the foreshore. If the supply of sea fish is to be increased, off-shore fishery should be developed with the help of better equipment, such as power boats and trawlers. Deep sea fishing is a more difficult job and can be undertaken at a later stage after fishing grounds have been surveyed and better equipment and refrigeration facilities made available.

29. The fishermen are so poor that they cannot be expected to make a contribution to fishery development unaided. They are indebted to middlemen and financiers and hence the share they get in the profits of their business is hardly fair. Moreover the arrangements for handling, assembly, transport and marketing of fish are primitive and unorganized. There is no cold storage equipment anywhere nor any arrangements for icing ; and there is a complete absence of regulated markets run under the supervision of sanitary and health authorities.

Co-operative fishery societies.

30. There are a few co-operative fishery societies working in Madras, Orissa and Bengal, their number being 67, 55 and 7 respectively. In the United Provinces a scheme for the supply of fresh fish to Lucknow and a few other larger towns was introduced in November, 1943, by the Co-operative Department. With the experience gained in the working of this scheme, the Department purposes to organize fishermen on co-operative lines. The primary production societies will arrange finance for the members and sell their catch, till central societies are organized to take over marketing. In Bombay, prominent some members of the Koli community have recently formed themselves into the Akhil Koli Samaj Co-operative Fishery Producers' Society, Ltd. The Society was registered at Bombay on 28th June, 1945. Its aims and objects are :— (i) to hire and purchase launches from Government for catching and carrying fish, (ii) to erect an ice factory and cold storage, (iii) to open a factory for extracting oil from shark and other fishes, (iv) to open a factory for producing twine thread required for netting, (v) to supply the necessary materials to members to carry on their business and (vi) to grade and market fish. The Society was registered by the Assistant Registrar, Co-operative Societies, Bombay, in consultation with the Director of Fisheries. The present paid up capital is Rs. 35,000.

31. Most of the fishermen's societies in Madras, Orissa and Bengal are of the ordinary credit type, mainly financing the members and occasionally assisting them in the sale of fish. There are, however, a few societies which undertake a larger

number of functions. For instance, the Ajanur Fishermen's Society in South Kanara, Madras, finances its members, and pools their catch for sale either fresh or after curing. Financial aid is given to only those members who agree to sell their catch through the society. The sale proceeds are distributed according to the individual catch. The society arranges for purchasing boats and nets for the use of its members.

Suggestions for the development of co-operative effort.

32. The Government of India appointed in 1944 a Fish Sub-Committee of the Agricultural Policy Committee, the report of which has already been published. It has made certain recommendations which it is unnecessary to repeat here. We would, however, like to lend our support to the Committee's conclusion that no real advance can be made unless the Government of India accept full responsibility for placing the fishing industry of the country as a whole on a firm foundation, and, as has been done by Governments of almost all European and American countries and Japan, provide finance for both direct and indirect assistance to this very backward and neglected industry. In Japan, the State grants are made only to co-operative societies of fishermen and the entire cost of establishing new ventures is borne by the State. We recommend that in India also State aid should be given largely through co-operative societies. Co-operative societies should, therefore, be organized on an extensive scale. These societies should give financial assistance to their members and stock and sell fishing craft and tackle at a fair price. They should also undertake marketing functions, *i.e.*, functions involving proper arrangements for hadlanding, assembly, preservation, transport and distribution of fish. These societies should be grouped together under central societies which should have their headquarters in towns. The main function of the central society should be the organization of fish markets and marketing of fish.

33. Central co-operative banks should provide finance for working expenses both to primary and central fishing societies. We have recommended earlier that funds required for the provision and repair of improved types of craft and gear, cold storage and transport should be provided by the State either in the form of loans at a low rate of interest or as subsidies.

34. Some of the ex-services personnel are already trained in veterinary science, animal husbandry and poultry farming, and can be employed by co-operative organizations. The fishery industry offers an opportunity for the employment of ratings who have served in the Navy, specially those recruited from Konkan and Ratnagiri districts of Bombay and the coastal districts of Bengal, Assam, Orissa and Malabar.

CHAPTER V

AGRICULTURAL MARKETING.

Functions of marketing.

Marketing is a comprehensive term covering a large number of functions. The small surpluses of individual farms are collected and concentrated in a wholesale market ; the fluctuating supply of farm products is adjusted to the constantly changing consumers' demand ; the proper volume and quality of supply are made available to final consumers. In working out these processes, several necessary functions are performed, *viz.*, (1) assembling, (2) storing, (3) financing, (4) insuring, (5) standardizing, (6) selling and (7) transporting. In order to reach their ultimate market, farm products are collected or assembled from various sources ; they are held or stored in warehouses ; somebody's money is invested during the course of their movement ; the danger or loss from price fluctuations or deterioration is guarded against ; the products are prepared for the market by sorting and grading, packing and repacking, and being broken into small parcels ; then they are sold and ultimately transported to the consumers' destination.

Role of middlemen.

2. Some of these functions may be performed by the farmer, as he does when, for instance, he packs and carts his crops to the local market, but these functions are entirely different and distinct from farming. They are usually undertaken by a different set of persons who possess specialized knowledge and special resources to discharge them. They know, for instance, when the demand for a particular product is keen or where the price is high and regulate the supply accordingly. The farmer does not come by this knowledge in the course of farming operations ; he may acquire it, but if he takes up any of the middleman's functions, he engages in a subsidiary occupation separate and distinct from farming.

Marketing costs.

3. The middlemen's charges for services rendered in performing the functions of marketing are known as marketing costs. They are represented by the difference between the price received by the farmer and the price paid by the consumer ; and the factors affecting them are, besides those already dealt with in analysing the functions of marketing, perishability, wastage or shrinkage, and preparation for the market. On the assumption of private enterprise and free competition, the return to the middleman should be the lowest possible for the services rendered. Statistics dealing with the middleman's charges in India are scanty, but it appears from whatever information is available that in 1937 the wheat grower in India received 61 per cent of the price paid by the ultimate consumer.

Further, in the paddy trade in Madras, the cultivator's price was 65.3 per cent, railway freight coming to 12.9 per cent. As against these in the U.S.A. where markets are best organised and the retailer's margin is large, the weighted average percentage of retail prices of farm products received by farmers was 58 in 1917 and 45 in 1927. In India, backwardness of transport adds heavily to the costs of marketing, transport costs having been estimated to be about 20 per cent of the consumer's price. The cost of transportation, however, varies greatly, depending on the relative importance of such factors as bulk in relation to value, distance, special facilities to preserve the product *en route*, necessary terminal facilities, and the type of transportation.

Indian farmer and marketing disabilities.

4. The assumption, made above, of free and fair competition does not hold good in most markets. The primary producers lack education and knowledge and are at disadvantage in dealing with big business and with middlemen who have no hesitation in taking advantage of the former's weak position. The disabilities under which the Indian farmer suffers have been briefly summarized by the Royal Commission on Agriculture. "From all provinces we received complaints of the disabilities under which the cultivator labours in selling his produce in markets as at present organized. It was stated that scales and weights and measures were manipulated against him; a practice which is often rendered easier by the absence of standardized weights and measures and of any system of regular inspection. Deductions which fall entirely on him but against which he has no effective means of protest are made in most markets for religious and charitable purposes and for other objects. Large 'samples' of his produce are taken for which he is not paid even when no sale is effected. Bargains between the agent who acts for him and the one who negotiates for the purchaser are made secretly under a cloth and he remains in ignorance of what is happening. The broker whom he is compelled to employ in the larger markets is more inclined to favour the purchaser with whom he is brought into daily contact than the seller whom he only sees very occasionally." These disabilities are in addition to what the farmer suffers from when he borrows from a money-lender or buys on credit for production or maintenance, and the creditor limits the farmer's freedom to sell his produce.

Advantages of co-operative marketing.

5. These disabilities provide the justification for co-operative marketing which strengthens the farmer's position as a seller, assures him of a regular trade outlet, and enables him to obtain better prices. It, at the same time, integrates marketing and productive operations, reduces waste by preventing duplication of agencies, and provides facilities for improvement in the quality of agricultural products. It, further, attempts to eliminate those undesirable forms of speculation in which the motive is profit from price manipulations. No influence is

so important in the economic education of farmers as their own efforts in co-operative marketing. The very attempt on the part of farmers to solve their problems teaches them basic economic truths. The operation of co-operative marketing organizations teaches farmers that agriculture is primarily a form of business. Co-operative marketing also teaches farmers that the problem of marketing is closely related to the problem of production. The marketing organizations have found from experience that the demand for agricultural products is increased by an improvement in production methods which result in products of higher quality. Again, when farmers themselves undertake marketing programme, the practices which greatly reduce the economic value of their products, are brought home to them. Co-operatives also serve an important function in supplying information on the many factors which affect the economic status of farmers.

Organizing a marketing society-enquiries to be made.

6. Before organizing a marketing society, it is advisable to make certain enquiries. Is there an absence in the market of free competition, and is the spread between the producers' and the consumers' prices or between the prices in the local and outside markets wide ?—Is there a lack of adequate facilities in the market or of service by the existing middlemen ? Is the service honest and reliable ? What definite savings or improvements can a co-operative society make ? Will the savings or improvements be commensurate with the risk, financial investment and the time and labour spent ? Will the co-operative society receive the support of the best farmers in the locality ? If the replies to these questions are satisfactory, further satisfaction should be sought on the points whether the co-operative society will have sufficient business, adequate capital, lasting loyalty of its members and enough patience to build up the organization gradually and not expect it to be a pronounced success from the start. Above all, it should be ensured that the management of the society is in the hands of an efficient and well-paid manager who is honest, reliable and capable, and possesses the knowledge of the commodities with which he has to deal and qualities which will win over the confidence of the members.

Co-operative marketing in foreign countries.

7. Co-operative marketing has achieved striking success in some foreign countries. In Denmark, co-operative sale societies discharge most of the marketing functions ; the co-operative dairies in that country receive 91 per cent of the milk delivered to dairies and supply most of the butter exported. In Norway, between 80 per cent and 90 per cent of the producers of milk were members of co-operative dairies, while in the Netherlands, co-operative dairies marketed 65 per cent of the butter and 45 per cent of the cheese. In Sweden, co-operative dairies marketed almost 90 per cent of the butter produced in the country. In the U.S.A., there were at the end of 1941-42, 10,550 Farmers' Marketing and Purchasing Associations with

a membership of 3,600,000, and business of almost 3 billion dollars ; these Associations handled cotton, dairy products, fruits and vegetables, livestock, poultry, etc. They arrange for processing and own warehouses. In Canada, co-operative marketing societies handle wheat, fruits, milk, livestock, eggs and poultry. The number of co-operatives dealing in wheat is, however, the largest.—The Canadian Wheat Producers Ltd. which was the central association of the provincial wheat pools handled more than 100 million bushels of wheat per year. Co-operative marketing associations in the Union of South Africa handle maize, wheat, peanuts, tobacco, cotton, sugar, fruits, etc. In 1935-36, they marketed agricultural produce worth about £13 millions. In Australia, in 1932, there were 14 pools for different commodities. In New Zealand, co-operative sale societies handle mainly cheese, butter, fruit, wheat and meat. Almost the entire quantity of cheese produced in that country is manufactured in co-operative factories while about 90 per cent of the butter is produced by co-operative dairies.

Functions which a marketing society should undertake.

8. No dogmatic statement can be made concerning the number of functions which a co-operative society should undertake, the criterion being the economic possibilities of such undertaking. What may be unwise at its inception may prove expedient when the organization has gained more experience, established its business and accumulated sufficient reserves to take up new ventures. It seems advisable at this stage of development of the Co-operative movement in India to undertake only the necessary functions. This is the conclusion to be drawn from the failures of some co-operative societies which found it difficult to resist the temptation to hold up produce in the hope of getting a better price. The Preliminary Report, published by the Reserve Bank, advised caution in the matter of holding up for a rising market. "It is often argued that the most important factor which prevents the farmer from obtaining the full price for his crop is the fact that owing to the lack of holding power he has to sell his produce immediately after the harvest even though the prices may then be low, and there is a widespread sentiment that if the farmer could be helped to hold up his crop till prices improved he would be greatly benefited. There are obviously two sides to the question. If a large portion of a crop can be held up in this way a decline in prices at harvest time might be prevented, but the produce must come on the market sooner or later. Storing means cost and risk of fall in prices and damage and these might more than counter balance the problematical higher price that is anticipated. Without great skill and an intimate knowledge of the facts regarding the market demand for the produce, an experiment in holding up a crop might prove more harmful than beneficial and if it was attempted by the co-operative godown societies, which would not ordinarily possess these qualifications, it might involve them in serious loss." A crisis like this occurred early in 1940 when the prices fell

instead of rising, as was generally expected, on the outbreak of war. Co-operative marketing in India should, therefore, make a cautious start.

9. There are many co-operative societies which commence operations exclusively with the sale of one farm product but expand to include a variety of products. In Denmark, the general practice was for one co-operative society to deal with one farm product, and a farmer was a member of as many co-operatives as the number of products of his farm. The same was true of the United States. The pratice is, however, changing and no objection is taken now to one co-operative society dealing with a few closely related farm products. The advantages of a single commodity co-operative are : (i) identity of interest of members, (ii) modest resources required, (iii) limits to the capacity and efficiency of the manager, and (iv) ease in allocating the cost of handling one commodity. If closely related products like fruits and vegetables, are dealt with by the same co-operative society, the following further advantages are likely to be gained : (i) continuous marketing is facilitated, if the seasons of the crops concerned are different, (ii) overhead charges per unit handled are reduced, and (iii) a fuller line of commodities is available and buyers are better attracted.

Methods of handling and paying for farms products.

10. There are three methods of handling and paying for farm products followed by co-operative societies, *viz.*, (i) paying the farmer cash on delivery of his products, which are thus bought outright, (ii) paying the farmer what his individual products are actually sold for, after deducting the charges made by co-operative societies, and (iii) paying the farmer the net pool price after the products in the pool to which his were added are sold. The advantages of outright purchase for cash are : (1) falling in with the usual market practice, (2) the satisfaction of the farmer's need for immediate cash, (3) the elimination of the factor of uncertainty, (4) meeting the competition of private traders who have a powerful appeal in their cash offerings, (5) increasing the society's volume of business more readily by purchase from non-members, (6) better return to individual farmers for the superior quality of their products, and (7) the reduction in the volume of work in connexion with book-keeping. One of the disadvantages on the other hand, is that the society assumes additional risks of price fluctuations. These fluctuations follow no regular cycle, and the amount of difference cannot always be predicted. The risk is specially large when prices are declining and it is important to remember that the benefits of Co-operation are quickly forgotten, but the losses haunt the memory.—The other disadvantages are the need for a larger working capital, and the necessity for employing a higher paid managerial staff and weakening of the bond between a member and the society as soon as the price has been paid. The practice of payment of what is obtained on the sale of individual farmer's products has the advantage

of obtaining for him the price which the quality of the product commands in the market, and of the society being able to work with a smaller capital, but it suffers from the disadvantages of the cost of the service to the farmer and the labour of book-keeping being increased, and of being against an organized and orderly way of marketing. The third method, *viz.*, pooling spreads marketing risks, enables marketing according to a well-considered programme, facilitates financing, and helps a society operating on a large scale, to play an important part in fixing and stabilizing prices. It may, however, lead to speculative operations, against which the co-operative society must be on guard. For full benefits being reaped from it, the society must have an expert and adequately paid manager. In countries like Denmark, U.S.A., and Canada where co-operative marketing is most highly developed, the practice of outright purchases is rare and that of pooling and deferred payment common. Advance payments to relieve the farmer of his immediate need for cash are made under the deferred payment system, the amount of advance being a certain percentage of the price which is based on quotations fixed by Price Quotation Committees set up by co-operative societies.

Marketing contracts.

11. A common feature of marketing societies is a contract for a certain period, with each member, binding to deliver his product, either all that he produces or a proportion based upon the advance which he takes from the society, or the size of his farm. This has been found necessary in order to be assured of a sufficient volume of business for a period long enough to meet the expenses and establish the society, and to ensure the repayment of advances, thus sustaining the credit of the farmer. The membership contract for from 1 to 20 years in universal in Denmark where the spirit of Co-operation is so deep-seated. It is also universal in U.S.A., but there, probably, for the reason that the spirit is not so deep-seated.

Present position of co-operative marketing in India—a brief review.

12. Co-operative marketing of agricultural products has made some progress in India chiefly in Madras, Bombay, the United Provinces, Punjab Central Provinces and Berar, Bengal, Coorg, Baroda and Mysore.

Madras.

13. In Madras, there were 181 primary marketing societies at the end of 1943-44. They issued loans to the extent of Rs. 139.18 lakhs and sold produce worth Rs. 91.35 lakhs. These societies dealt in a variety of goods like paddy, groundnut, cotton, potatoes, etc. Twenty-eight sale societies owned 37 godowns ; 25 per cent of the cost of the godowns was not from a free grant and the balance from a long-term loan from the Government repayable within 30 years. Besides, there were 5 marketing federations which sold produce worth Rs. 55.67 lakhs during 1934-44. The marketing societies and the federations were recognized as the agents of the Grain Purchase Officers for the purchase of paddy and rice. The

federations undertook the processing and grading of produce before sale in order to ensure an additional return to the producers. The Provincial Marketing Society at Madras coordinated the activities of the other marketing organizations in the province. It maintained 8 rice ration depots, 6 fuel ration depots, 2 standard cloth depots, 1 fruit depot, 1 vegetable godown and 1 sales emporium for marketing the products of cottage industries. In the extraordinary conditions created by the war it was allowed to transact retail business also. The Madras Government have encouraged co-operative sale societies and rural co-operative credit societies to construct their own godowns by offering loans and free grants, the loans being for a period of 30 years. Each year the Government placed a lump sum at the disposal of the Registrar for the grant of loans for the construction of godowns. Besides the 28 sale societies owning 37 godowns, 49 credit societies have built 52 godowns. The total cost of construction of godowns was Rs. 5.13 lakhs. Further, the Madras Government sanctioned 20 godowns costing Rs. 9.51 lakhs out of the Government of India Groundnut Fund.

Bombay.

14. There were 142 sale societies at the end of 1942-43 dealing in cotton, fruits, vegetables, chillies, arecanut, paddy, etc. The total value of sales effected by them during 1942-43 amounted to Rs. 281.5 lakhs. In some areas they acted as agents for the purchase of foodgrains for the Civil Supply Department. Special mention should be made of the cotton sale societies at Gadag and Hubli which sold cotton worth Rs. 24.39 lakhs during 1942-43 and of societies in the Surat District and Broach sub-division which sold cotton worth Rs. 35.64 lakhs and cotton seed worth Rs. 8.38 lakhs. The societies in Surat and Broach supplied pure seed to their members and pooled the produce, and established ginning factories. They have also organized themselves into a sales union for effecting sales in the Surat market. There were also a number of other purchase and sale unions in the province. A Provincial Marketing Society co-ordinates the working of the sale societies. It has organized a price intelligence service for its members, and has four sections for cotton, grain and seeds, fruits and vegetables and consumers' goods.

United Provinces.

15. There were 116 marketing unions in 1942-43 for the sale of wheat, barley, pulses, oil seeds, hemp, tobacco, etc. There were also 727 ghee societies and 8 unions spread over 12 districts which handled ghee worth Rs. 3.54 lakhs and made a profit of Rs. 1.29 lakhs. The greatest achievement in co-operative marketing has, however, been with regard to the marketing of sugar-cane. There were 86 central cane societies (unions) and 1,117 societies. The work of cane development societies now covers 17,325 villages. Over 80 per cent of the 16 crores maunds of sugar-cane used in sugar factories is supplied by co-operative societies and unions, which provide

seed and manure, make advances to their members for cultivation expenses and assist in selling the produce to the factories. The Government have made it an offence for a factory to purchase sugar-cane from a member of a society direct and have fixed the rate of commission to be realized from factories. These unions have also undertaken projects such as road development and the opening of seed stores. A Co-operative Development and Marketing Federation has been recently organized to co-ordinate the activities of the various marketing unions.

Bihar.

16. Bihar has also organized the cane development societies exactly on the same lines as the United Provinces. The quantity of cane marketed through them in 1942-43 was 90.36 lakh maunds.

Punjab

17. At the end of 1943-44 there were 37 sale societies and commission shops in the Punjab. Goods worth Rs. 78 lakhs were sold by them during that year. The Okara Zamindar Society alone sold goods worth Rs. 38.2 lakhs.

18. Co-operative marketing has to a limited extent made progress in other provinces like the Central Provinces and Berar and Bengal and also in Coorg, Baroda and Mysore.

Recommendations.
A. Targets.

19. We recommend that within 10 years, 25 per cent of the total annual marketable surplus of agricultural produce should be sold through co-operative organizations and that for this purpose 2,000 marketing societies, 11 provincial marketing societies and an All-India Maketing Association should be established. These organizations will perform all such services as are necessary for effective marketing of produce like assembling, storing, financing, standardizing, selling and transportation.

B. Linking of Credit and Marketing.

20. (i) We are of the opinion that for the proper development of Indian agricultural economy, credit should be linked with marketing. To ensure this we recommend that one of the conditions of loans given by a primary society, whose establishment we have recommended in Chapter III, should be that each member will sell all the marketable surplus of his farm produce through this primary society.

(ii) It should be the duty of the primary society to assemble the produce of its members.

(iii) Transportation of the assembled produce should in all cases be supervised and where necessary arranged for by the primary society.

(iv) The duties of the primary societies as regards marketing will cease on delivering the assembled produce to the marketing society which we are recommending, and on receiving the payment for it.

(v) The payment to the member by the primary society may be made by it out of its own funds, if they are sufficient,

or out of the advance which may be taken from the marketing society or the central bank on the security of goods. The primary society should pay to a member after keeping an adequate margin.

C. Marketing Societies.

21. (i) At each of the 2,000 mandies (wholesale markets) and, in any case, for roughly each group of about 200 villages, there should be a marketing society.

(ii) The main function of a marketing society will be to arrange for the sale of the members' produce to their best advantage. It may also undertake the functions of pooling, grading and processing. As has been noted earlier, these functions are discharged in highly developed co-operative societies; in countries like Denmark, U.S.A. and Canada, although the practice of outright purchase is rare, pooling and deferred payment are common. We would, however, add that the ultimate objective of a marketing society should be to persuade its member to agree to poolings that it may be able to discharge the functions of grading, and if necessary processing.

(iii) The marketing society may give an advance to the member after keeping an adequate margin at the time the produce is delivered to it. The produce will be kept in a warehouse or godown under the custody of the marketing sciety and the bank which may be financing it. The balance of the price will be paid to the primary society according, as discussed in the introductory part of this Chapter, to the method of payment adopted.

(iv) Every marketing society should have at least one godown the whole cost of which should be met by a free grant from Government as proposed in the Punjab.

(v) The Government should give a subsidy to the marketing societies for at least the first 5 years to meet the cost of the staff employed. This subsidy should be up to 50 per cent of the establishment charges for the first 2 years and 25 per cent thereafter till the fifth year.

(vi) We recommend that, ordinarily a marketing society should have a share capital of Rs. 30,000 and that every primary society which becomes a member should purchase shares worth at least Rs. 100, the rest being subscribed by individual members.

(vii) Outright purchases should be made up to a maximum of five times the value of the share capital and reserves of the merketing society. The risks involved in outright purchases are great, although these may be minimized if effective measures for the stabilization of agricultural prices, as contemplated by the Government, are taken.

(viii) We recommend that, ordinarily, the marketing society should not hold over produce in the hope of a rise in

prices ; but it may be done under extraordinary circumstances with the advice of the Provincial Marketing Society, the establishment of which we are recommending elsewhere.

(ix) We recommend that in every case, agricultural products should be standardized and graded. For this purpose, the Government should place the services of an Inspector of the Agricultural Department at the disposal of the marketing society, the cost of his employment being borne by the Government.

(x) The marketing society, besides performing the functions of sale societies mentioned above, should arrange for supplying consumers' stores, improved seed, fertilizers and manure. We suggest that the sale of these articles should be made through the primary society, wherever it exists.

(xi) We recommend that agriculturist members of the committees of the regulated markets should be nominated by marketing societies.

(xii) There should be no objection to separate marketing societies being organised to deal with important crops like cotton, groundnuts, sugar, wheat, rice and jute.

D. Processing Societies.

22. We are of opinion that where a sale society is unable to put up a processing plant itself, separate processing societies formed of such sale societies may be necessary. We recommend that they should be established for such purposes as cotton ginning, paddy husking, gur making, decortication of groundnuts, etc. The funds required for the fixed capital should be provided by the Government as a loan repayable within not more than 20 years.

E. Provincial Marketing Societies.

23. (i) A provincial marketing society should be organized in each province in order to co-ordinate the working of the various marketing organizations, supply market intelligence and act as the export agency for inter-provincial and foreign trade. It should arrange to supply to village primary societies and marketing societies information as regard prices and stocks and arrivals in the main markets with which the latter have dealings.

(ii) The provincial marketing society will require godowns for storing produce ; the Government should pay the cost as a free grant.

(iii) Government should give a subsidy for the first 2 years up to 50 per cent of the establishment charges and 25 per cent thereafter till the 5th year.

(iv) The membership of these socities should be open to village primary societies, marketing societies, central banks and individuals.

F. All-India Marketing Association.

24. (i) It may be desirable to set up an All-India Marketing Association to co-ordinate the activities of the provincial

marketing societies and to establish contact with marketing organizations abroad and to act as a clearing house of information on all aspects of agricultural marketing.

(ii) The cost of the staff of this organization when established should be borne by the Government of India for at least the first five years ; afterwards the Government should give a grant to cover 50 per cent of the establishment charges. We do not, however, propose that this organization should be started immediately. We leave the decision as to the right time for its establishment to the All-India Council of Co-operation the creation of which we are recommending at another place in this Report. We suggest that it should be the duty of the Council to review the circumstances and conditions of co-operative marketing every year in its annual report and to recommend when the time is ripe for establishing an All-India Marketing Association.

25. (i) We recommend that a system of licensed warehouses shoud be established and legislation introduced for the purpose. It should be the duty of the Provincial Co-operative Council to recommend the establishment of co-operative warehousing societies in suitable areas. G. Warehousing.

(ii) We recommend that godowns owned by the Central and provincial governments and the Defence Department and not required by them after the war should be handed over to co-operative marketing organizations after the war.

26. A. *Marketing Societies.*

Estimate of Cost (for British India.)

(i) Number : 2 000

(ii) Establishment :

Manager Rs. 100 × 12 × 2 000	Rs. 24,00,000
Accountant-Cashier Rs. 75 × 12 × 2 000	Rs. 18,00,000
	Rs. 42,00,000

Out of the total expenditure of Rs. 42,00,000 Government will pay half in the first two years and one quarter in the subsequent three years, *i.e.*, Rs. 42,00,000 in the first 2 years and Rs. 31,50,000 in the subsequent three years.

Total : Rs. 42,00,000 + Rs. 31,50,000 = Rs. 73,50,000

(iii) Grading Officers (Inspectors) from the Agricultural Marketing Department : (One for four societies on an average.)

1. Number : 500
2. Cost Rs. 150 × 12 × 500 = Rs. 9,00,000

This will be met by the Government every year as a recurring expense.

(iv) Godowns.

1. Number : 2,000
2. Cost : Rs. 20,000 × 2,000 = Rs. 4,00,00,000

The entire cost will be given as a free grant by the Government.

B. *Processing Societies.**

C. *Provincial Marketing Societies.*

(*i*) Number : 11

(*ii*) Establishment :

1 Manager Rs. 1,000 × 12 × 11 ..	..	Rs. 1,32,000
2 Asstt. Managers Rs. 500 × 2 × 12 × 11	..	Rs. 1,32,000
3 Accountants Rs. 250 × 3 × 12 × 11	..	Rs. 99,000
1 Cashier Rs. 150 × 12 × 11	..	Rs. 19,800
		Rs. 3,82,800

The Government will pay 50 per cent of the total establishment cost for the first two years and 25 per cent during the subsequent three years, *i.e.*, Rs. 3,82,800 + Rs. 2,87,100 = Rs. 6,69,900.

(iii) Godowns :

(*a*) Number : 3 × 11 = 33

(*b*) Cost : Rs. 50,000 × 33 = Rs. 16,50,000

The Government will give the full cost as a free grant.

D. *All-India Marketing Association.*

Establishment : Rs. 1 lakh per year.

The Government should bear the full cost of establishment for the first 5 years and afterwards give a grant of 50 per cent of the establishment charges, *i.e.*, a grant of Rs. 5 lakhs for the first five years plus a recurring expenditure of Rs. 50,000 a year ; the rest of the expenditure should be met from the contributions by the provincial marketing societies.

E. *Government Staff for Organization, Supervision and Direction.*

The Government in all the provinces should maintain an adequate staff for the organization, supervision and direction of the various marketing organizations. A rough idea of the estimate of the cost every year is given below : the expenses will be recurring.

(i) There should be for marketing alone, a Marketing Adviser to the Registrar in each province. His salary and other expenses will be at least Rs. 1,500 per month or Rs. 18,000 a year. The total expenses for all the provinces will be Rs. 1,98,000 a year.

(ii) There will be need for about 4 Assistant Marketing Advisers to the Deputy Registrars in each province or about 44 such officers in British India. Under each Deputy Registrar there will be about 50 marketing societies. The Deputy Registrar will be in constant touch with the consuming centres and will work in close collaboration with the Marketing Officers

* No estimate of cost of and personnel for these societies has been made for want of data.

of the Agricultural Department. The salary and other expenses of an Assistant Marketing Adviser will be about Rs. 500 per month or Rs. 6,000 a year. For 44 such officers the expenses will be Rs. 2,64,000 a year.

(iii) There will be about 200 Inspectors for organization supervision and direction of marketing organizations, that is, about 20 Inspectors in each province, and each Inspector will be in charge of 10 marketing societies. The salary and other expenses of an Inspector will be Rs. 2,000 a year of Rs. 4,00,000 for 200 Inspectors.

(iv) There will be 100 Auditors for auditing the marketing organizations. Each Auditor will have 20 marketing societies in his charge. The salary and other expenses of one Auditor will be Rs. 2,000 a year or Rs. 2,00,000 for 100 Auditors a year. Free audit will be provided for the first 5 years; subsequently audit charges will be recovered from the societies concerned.

The above estimates are given in a tabular form below :—

No	Name	Total annual expenses
		Rs.
11	Marketing Advisers (11 × 18,000)	1,98,000
44	Asst. Marketing Advisers (44 × 6,000)	2,64,000
200	Inspectors (200 × 2,000)	4,00,000
100	Auditors (100 × 2,000)	2,00,000
	Total Rs.	10,62,000

CHAPTER VI

AGRICULTURAL CREDIT.

Conditions precedent to the solution of the problem of agricultural credit.

Various committees and commissions have in the past surveyed the problem of agricultural credit in India and indicated the lines on which its solution should be attempted. Recently a sub-committee of the Agricultural Policy Committee under the chairmanship of Prof. D. R. Gadgil have examined the problem afresh and have made detailed recommendations which the Government of India have been good enough to make available to us. The Committee have examined the position of rural indebtedness at great length and have made detailed recommendations for the reorganization of agricultural finance. We, therefore, consider it unnecessary to make an extensive survey of the existing conditions in this respect. As, however, any measure calculated to affect the credit structure is bound to have important repercussions on the Co-operative movement in many respects, we feel called upon to examine the more important recommendations of the Committee and express our opinion on them. The Gadgil Committee have pointed out that it is not possible to evolve a sound system of agricultural credit in India without tackling the problems of the agricultural economy as a whole. This will necessitate among other things a proper distribution of population between agriculture and industry, the creation of economic holdings, the maintenance of agricultural prices at a profitable level, the provision of adequate irrigation facilities and improved transport, the establishment of subsidiary industries, etc. It is also necessary to reduce the burden of past debts since the charge on this account is too heavy to be borne by the current agricultural economy and is therefore a drag on productive activity.

(a) Need for the reorganization of rural economy.

(b) Relief and rehabilitation in areas of chronic deficit economy.

There are certain tracts in India which periodically suffer from a failure of the monsoon or floods. Agriculturists in such areas should, in addition to the gratuitous relief usually afforded at such times, be given adequate special purpose finance at concession rates for ensuring that those emergencies do not handicap the producers for a length of time after they have passed. There are other areas where distress conditions are chronic and almost form part of the cycle of production. In such cases, the economy of the whole area should be reconstructed by long-term programmes for eliminating the recurrence of calamity conditions or to neutralize the effects of their incidence, so as to place the agriculturist producers in a state of normal solvency. Some particular agricultural communities or classes from secure areas also perpetually work

under a deficit economy because of social or economic handicaps such as the backwardness in education or technical knowledge. their problem will be solved only by a complete plan of rehabilitation worked by a State Agency.

2. After outlining the steps that should be taken as an essential preliminary to the introduction of a sound financial system in rural areas, the Committee proceed to make recommendations as regards the future structure of agricultural credit. The conclusions arrived at by the Committee are as follows :— **Gadgil Committee's recommendations.**

(i) The money-lender is at present the most important part of the agricultural credit machinery and it is not practicable to dispense with his services in the immediate future. He, however, follows many evil practices and his charges are many times out of all proportion to the risk involved, and it is, therefore, necessary effectively to regulate his activities. **(a) Regulation of money-lending.**

(ii) A State inspecting and supervising agency should be set up in each province to carry out periodical and surprise inspection of the books of the money-lenders in order to ensure that the provisions of regulatory Acts are observed. The agency should also publish periodical reviews of the working of Debt Acts since such reviews will bring out the defects, if any, in the existing legislation and make it possible to take timely action to remove them.

In view of the vast needs of the country and the varied conditions obtaining within it, attempts should be made to develop as varied a system of institutional credit as possible. In order to facilitate the supply of institutional credit, marketing should be regulated by law and licensed warehouses should be established and their receipts made negotiable. This will encourage the commercial banks to take a greater part in financing agricultural marketing than what they are doing at present. **(b) Development of private institutional credit.**

Private credit institutions participating in agricultural finance have not yet developed much in India. The Co-operative movement also is not in a position to meet all the rural requirements of credit. It is not desirable to extend the present system of State loans, owing to the defects associated with it such as the delay in distribution of loans, corruption of the low paid revenue officials, rigidity of collection, etc. It is, therefore, necessary to provide a new source of finance on reasonable terms as an alternative to the present money-lender. **(c) Agricultural Credit Corporation.**

Such a financing agency should be an autonomous Public Corporation established by the State and working under its general supervision and direction. Such Corporations should be set up in all provinces with the exception of those where the Governments feel that the co-operative financial agencies are

so strong and have such a large field of activity that they can make finance available to all credit-worthy borrowers.

The Corporation should provide all types of agricultural credit. Its methods of business should be similar to those of any other institutional agency like a co-operative bank. In providing finance to a borrower it should take into account the real assets owned by him as well as the nature of his business.

The Corporation should deal with the more substantial cultivators directly. The smaller agriculturists should be persuaded to form themselves into co-operative societies or where this is not possible into borrowers' groups. The Corporation may finance co-operative organizations in two cases, viz., (1) where appropriate co-operative banking institutions do not exist, and (2) where, although co-operative banking institutions exist, they do not possess sufficient financial resources, care being taken in the latter case to give financial assistance only through the existing apex banks.

The charges which an agriculturist has to pay for his financial requirements are generally very high in India. Agriculture even under the best conditions would find it difficult to bear such heavy charges. In India where agriculture is on any but efficient lines, the rates should be reasonably low for current and intermediate finance and lower still for development finance. The Corporation should, therefore, provide short-term finance at a rate of 6¼ per cent and long-term finance at 4 per cent which appear to be the proper upper limits for such advances. The Corporation will require a certain amount of State assistance in meeting the needs of all agriculturists at these low rates. Such State assistance will chiefly be in the form of not expecting substantial or any returns on the State capital and funds with the Corporation. For financing the less developed tracts the Corporation may require more substantial help from the State as the cost of administration and collection of loans as well as the risks connected with them will be large in those areas. The State may render the necessary assistance by such means as allowing free use of State funds or by directly subsidizing costs of administration, of supervision, etc.

(d) Role of Co-operative agencies.

The expansion of the Co-operative movement will provide the best and lasting solution of the problem of agricultural credit in particular and the problems of rural economy in general. But the present position of the movement is not such as to encourage much hope that it can play a substantial part in financing agriculture, much less to become the sole supplier of rural finance, in the immediate future. However, its share in that field can be considerably increased if it is reorganized and its working is improved on the lines suggested below.

(i) The frozen assets of co-operative societies should be liquefied by adjusting their claims according to the repaying capacity of the members in order to enable the societies to resume their normal working.

(ii) The credit societies should as a rule continue to be organized on an unlimited liability basis as unlimited liability creates among the members a sense of collective responsibility and mutual watchfulness. It also enables a society to raise adequate finance which may otherwise be difficult to obtain. However, if the limitation of liability is likely to attract valuable elements to the movement it may be adopted provided that a substantial part of the funds required by the societies is raised through share capital. The liability of the members may be limited either to the value of the shares or a certain multiple thereof.

(iii) The societies should finance all short-term needs of their members. They may also advance intermediate-term loans for productive purposes to the extent of their share capital and reserves and any intermediate-term loans that they may be able to obtain from their financing agencies.

(iv) The security for advances should ordinarily be personal, the credit-worthiness of the members being assessed on their repaying capacity. But the societies should have a stautory charge on the crop as an additional security for all their seasonal finance. In order to make such a charge effective its wilful breach should be made a criminal offence. Mortgage security may be justified when the loan is comparatively big and the period is long ; but even in such cases it should only be a collateral.

(v) Efforts should be made to grant loans with minimum delay. For this purpose limits for each member and each society should be fixed for each year so that no detailed inquiries are necessary at the time of advancing loans. The system of cash credits for societies with sound management and running credits for individuals should also be introduced wherever possible and responsible officers of societies should be permitted to sanction loans up to a certain limit in an emergency.

(vi) Loans should be advanced only as and when actually required. The disbursing of loans only on one or two days during the year makes co-operative finance highly inelastic and drives the cultivators to the money-lenders.

(vii) Special attention should be paid to ensure that loans are repaid regularly, even coercive measures being resorted to where justified particularly in cases of wilful defaults. The loans for current needs should be repayable at the end of the agricultural season. The period for intermediate loans should ordinarily be three years which may in exceptional cases be extended up to five years.

(viii) The rate of interest charged by the co-operative societies to their members is still ordinarily above 9 per cent which as stated earlier is too heavy for the agriculturists to bear. The societies should, therefore, make every effort to reduce the rate so as not to exceed 6¼ per cent in any case. The Government should subsidize co-operative institutions in suitable cases for enabling them to reduce their rate to the above limit. This may be particularly necessary where the size or the volume of business of a co-operative society is small.

(ix) The central co-operative banks should organize their business own sound banking lines so that they may be able to raise funds at cheap rates.

(x) An increasing use should be made of the facilities offered by the Reserve Bank of India for advancing loans for seasonal agricultural operations and marketing of crops at concessional rates.

(xi) The efficiency of co-operative finance will be considerably increased if the operations of credit societies are linked up with those of marketing societies. For this purpose the system of 'controlled' credit operating in Madras under which a loan is disbursed according to the needs and is recovered out of the income obtained by the application of the loan, should be adopted everywhere with such modifications as may be necessary to suit the local conditions.

(xii) The societies should ensure the proper application of their loans partly by supplying their members' requirements in kind and partly by stricter supervision over their operations. For meeting the household and other needs of their members the societies should have direct relations with purchasing unions and consumers' stores. Where such arrangement is not possible the societies themselves may supply the requirements as far as possible. But they should do so on indent basis and without undertaking undue trading risks.

Recommendations—Role of Co-operative movement.

3. We are in general agreement with the Gadgil Committee's analysis of the problem of agricultural credit in India. In particular, we emphasize that the expansion of the Co-operative movement will provide the best solution of the problem of rural credit in the country. Credit societies will, however, render greater service and ensure their own success if they do not confine their activities solely to the supply of credit as they have done hitherto but take up other activities as recommended by us in Chapter III.

Reorganisation of Provincial Co-operative Banks on the lines of the Agricultural Credit Corporation.

4. The central recommendation of the Gadgil Committee is that State aid should be given in a very much larger measure than has been done hitherto in the direction of rural credit. For this purpose it has suggested the establishment of an Agricultural Credit Corporation, to which the State should provide a part of the working capital and expenses of administration, and recommended that each province or state should prepare separately its scheme for the Corporation. It has fur-

ther recommended that " in a province in which Government feel that the co-operative financial agencies are so strong and have such wide scope that they could undertake all the work which we have indicated as in the sphere of the Agricultural Credit Corporation there would be no objection if a separate Corporation is not set up, provided that means are found for making finance through co-operatives available to all credit-worthy borrowers."

We are of the opinion that not only in some provinces where the Co-operative movement has attained a high degree of development, but also in other provinces and states the provincial co-operative bank or other central co-operative financing organization can provide the agriculturist with all the facilities which are intended to be given by the Agricultural Credit Corporation. " The same measure and type of aids as those recommended to be given to the Agricultural Credit Corporation " should be given to the provincial co-operative bank and there would then be no need to start a separate organization for this purpose. Our reasons for this opinion are as follows :—

In the first place, much time may be lost in preparing a scheme for the new Agricultural Credit Corporation, in passing the necessary legislation and in setting up the detailed organization required. On the other hand, the provincial co-operative banks and other central co-operative financing organizations are already in existence and can, where necessary, be suitably reconstituted to shoulder the additional burdens which will be imposed on them. In the second place, the Agricultural Credit Corporation is intended to deal with the agriculturist also through the medium of co-operative organizations where they exist. A provincial co-operative bank which has already acquired experience in dealing with these societies will, in our opinion, be better suited for the task. Thirdly, the anxiety of the Gadgil Committee for providing a larger number of agriculturists with institutional credit as an alternative to money-lenders' credit will be met if the provincial governments adopt the targets fixed by us for the increase in the number of rural credit societies and the recommendations made by us for the expansion of their number and functions. Such a course will make the benefits of institutional credit available to many times the present number of members and the bulk of credit-worthy agriculturists will be brought into rural co-operative credit societies. Fourthly, an Agricultural Credit Corporation which does not provide adequate representation in the management to those in need of credit is likely to be dominated by lenders.

In reorganizing a provincial co-operative bank, it will be necessary for the State to provide a good deal of the share capital, and for providing finance at such a rate of interest as will help it to advance loans to the ultimate borrowers at not more than 6¼ per cent. per annum for short-term loans and at about 4 per cent for annum for long-term loans.

CHAPTER VII

SMALL AND SUBSIDIARY INDUSTRIES.

Introductory.

According to the Census Reports, the percentage of the population of India dependent on agriculture was 72 in 1911, 73 in 1921 and 68 in 1931 (the apparent fall in 1931 is due to a change in classification). Similar percentages for the population engaged in non-agricultural industries were 19 in 1911, 18 in 1921 and 17 in 1931. The industrial population is decreasing owing to the keen competition between small crafts and rural industries, on the one hand, and large-scale industries, both in India and outside, on the other ; and a larger number is seeking livelihood from land. The pressure on land is, consequently, increasing ; and the cultivated land available per head of population occupied in agriculture is now 1.2 acres, and the average size of a holding is 5 acres as against 21 in Germany, 55 in U.K., 157 in U.S.A. and 198 in Canada. The seasonal character of agricultural industry and the small size of his farm keep a villager, who owns land, idle for about 150 days in the year. The plight of a landless villager is very much worse ; he has no independent occupation of his own, and his economic position is, consequently, so week that he cannot avoid sinking into a state of serfdom.

2. The two main problems which must be tackled before any substantial and continuing improvement in rural welfare can be expected are the relief of the pressure of population on the resources by measures, calculated to improve per man hour productivity in general, and the transfer of a substantial proportion of the large mass of population from farming to non-farming pursuits. The solution of these problems is more urgent in view of the proposals which we have made in Chapter III for increase in agricultural efficiency. "The attempt at one and the same time to raise agricultural efficiency, increase or even maintain existing farm productions, and improve the economic position of the farmer is one of the most glaring examples in the modern world of the failure to apply proper economic principles in public policy—and one of the most serious in its consequences."* There must, therefore, be a deliberate policy for the occupational redistribution of the population now seeking its livelihood, in one farm or another, from the overburdened land. The task is immense as "taking only direct agricultural employment into account, it appears that about 15½ millions or 28 per cent. of our potential male

*H. Belshaw's article on "Foundations of Rural Welfare" in the International Labour Review (March 1945).

agricultural workers will need new work, within or outside their villages, if we are to have just about the right number of men and no more on the land. If we consider other occupations as well, the best conjecture which we can make is that in British India alone, in the course of the next decade, we must create *new employment* in towns and in villages so as to be able to absorb 21 to 22 million male adult workers, representing 33 to 35 per cent. of the population."* It may be remarked that this estimate does not take into account agricultural unemployment which may be caused by mechanization. What has to be done is in marked contrast with the existing total employment in industries, the chief source of employment outside the field of agriculture. In the Census of 1931 special returns from establishments employing organized labour were not called for. In the Census Report of 1931, it is said : " In any case the number of workers employed in organized labour is extraordinarily low for a population the size of India's and the daily average number of hands employed by establishments in British India to which the Factories Act applies is only 1,553,169." The latest occupational distribution of industrial labour is not known. When the Census of 1941 was taken, the preoccupations caused by the war were so urgent and all absorbing that the tabulation of the occupational statistics was not undertaken. We recommend that the Government of India should now undertake the tabulation of occupational statistics, furnishing thereby the distribution of labour in various kinds of industries, as, without accurate guidance, it is not unlikely that, while agricultural industry is relieved, its surplus population may be dumped on some already congested industries. instead of being distributed in a manner which will result in raising *per capita* productivity.

The trend of opinion in India.

3. One of the most important avenues of employment for the surplus population is small-scale and cottage industries. The trend of well informed Indian opinion has always been in their favour, and it has also been suggested that for persons engaged in them co-operative method of business is most suited. The Indian Industrial Commission (1916-18) stressed the intimate connexion between Co-operation and cottage industries, and stated that industrial societies should be organized and assisted by the State in technical matters. The Royal Commission on Agriculture repeated the suggestion for organizing village artisans on a co-operative basis for credit, raw materials and marketing. The Bombay Economic and Industrial Survey Committee (1938) and the Central Provinces & Berar Industrial Survey Committee (1939) also stressed the great need for fostering cottage industries. More recently, the Bombay Industrialists' Plan observed : " It is an essential part of our plan for the organization of industries that adequate scope should be provided for small-scale and cottage industries along with large-scale industries. This is important not merely as a

* Tarlok Singh : " Poverty and Social Change " (Page 10-11).

means of affording employment but also of reducing the need for capital, particularly of external capital, in the early stages of the plan. It is difficult to define the considerations on which the choice between large and small-scale industries and cottage industries should be determined. The factors involved in the choice are numerous and often conflicting. But generally it may be stated that while in basic industries there is little scope for small industrial units, they have an important and useful place in consumption goods industries where their function is in many cases complementary to that of large units." The 14th Conference of the Registrars of Cooperative Societies, which met in 1944, further emphasized the importance of cottage industries.

Experience of foreign countries.

4. There are valuable lessons to be learnt in connexion with industrial co-operatives from foreign countries. In pre-war Germany, one-eighth of the population subsisted on cottage industries, the small producers being grouped into associations which bought raw material for them in common and sold their finished goods. In Japan, 60 to 70 per cent of industrial workers are employed in domestic industries, and more than 50 per cent. of the exports, measured in terms of value, are produced in these domestic factories. There are 20,000 handicraft co-operatives in Russia with a membership of 1,765,000. In the U.S.A. the idea of industrial co-operation is finding increasing acceptance. In China, striking success in industrial co-operation has been achieved within a comparatively short period of time, although the success there is very largely due to the extreme scarcity of consumers' goods caused by the war.

Industrial Co-operation in India—Its present position.

5. In India, industrial cooperatives have attained a varying measure of success and their existing position is reviewed below under each class of industry :—

A. Handloom Industry.

This is the oldest and most extensive rural industry in India. The total number of weavers employed in this industry is over 2.4 millions, and of population depending on the industry is nearly 10 millions. The percentage of handloom production of the total annual production of cotton cloth was 31.2 during 1938-39. The other important features of this industry are : (1) the range of production is larger and more diversified than what the mills can produce ; (2) many thousands of weavers are without an alternative source of occupation ; (3) the industry can be carried on without the need for a large working capital, all its operations can be performed at home by members of a family, and its market is at hand. The industry is, however, in a depressed condition as the weavers are under the influence of middlemen who are also money-lenders. The main problems facing the industry are :—

(1) *The problem of raw materials* : Yarn which is the principal raw material accounts for over 60 per cent. of the production cost. Most of the weavers depend for it on the middlemen who give it on credit on condition that the weavers sell the finished articles to them.

(2) *The problem of finance* : Finance is required for the purchase of equipment like looms, for buying yarn and other raw materials, for payment of wages to hired assistants, if any, and to meet the expenses of maintaining the weaver's family. At present the finance is mostly provided by the middlemen.

(3) *Poor technique* : Many of the weavers are not familiar with the improved methods of production. There is an absence of uniformity of products and standards of quality. This results in a limited market. The need for improved technique seems urgent as many cotton mills have started producing goods of artistic quality comparable to handloom products. Improvements of the productive technique with regard to (a) preparation and introduction of good and attractive designs, (b) employment of up to date looms and (c) dyeing and finishing are more urgently necessary.

(4) *Difficulties of Marketing* : Proper organizations enabling the weavers to sell their products at remunerative prices are lacking. The middlemen serve at present in a combined capacity both for finance and marketing.

(5) *Training Facilities* : There is a dearth of adequate training facilities for the weavers.

Even though Co-operation among weavers has conferred some benefit in provinces like Madras and Bombay, its contribution, on the whole, towards the solution of these problems has been meagre.

B. Workshop Industry.

The most important of the workshop industries in India are those dealing with (a) hardware, (b) brass and bell metal, (c) leather, (d) silk and (e) horn and bone.

(1) Hardware Industry.

This industry includes the manufacture of (a) agricultural implements, (b) cooking utensils and other articles of domestic use, (c) tools and other articles used in various handicrafts and professions. The present position of this industry is deplorable owing to foreign imports and internal competition. The most urgent problems facing the industry are adequate marketing arrangements, economic supply of raw materials and improved technique of production.

(2) Brass and bell metal Industry.

There are certain special features of this industry. It is impossible for the members of a family alone to carry out all the processes, the structural organization of the industry having outstripped the limits of a domestic calling ; and hired labour is, therefore, necessary. Again, the work involved is so exacting and strenuous that it cannot be carried on as a subsidiary occupation. Further, the problem of transport is particularly important as the products of the industry are heavy. The problems facing this industry in common with other rural industries in India, are improvement in technique, suitable marketing, organization and financial facilities.

(3) Leather Industry. There are four divisions of this industry :

(a) The hides and skins industry dealing with the collection, curing, preservation and marketing of raw hides and skins, (b) the tanning industry, (c) the leather footwear industry, and (d) the industry dealing with the manufacture of leather goods like suit-cases, hand-bags, purses, etc. The leather industry is carried on by people to whom a low social status is attached, and who are generally indebted, ill-organized and illiterate.

(4) Silk Industry. This industry may be divided into three parts : (a) production or sericulture proper, which consists in rearing of worms and care of cocoons, (b) reeling, and (c) weaving of raw silk into fabrics. The defects of the silk industry are the poor quality of the cocoons, inefficient reeling machinery and methods and absence of grading of raw silk.

(5) Horn and Bone Industry. This industry suffers from keen competition from foreign countries.

A list of these industries is given below :

C. Other subsidiary and cottage industries. Paddy-husking ; floor-grinding ; oil-pressing ; gur-making and sugar manufacture ; bee-keeping ; pottery ; glassware and bangles ; soapmaking ; carpentry ; carpet and mat weaving ; rope-making ; poultry-rearing ; dairying ; toy-making ; goldsmithy ; dye-making ; paper-making ; match manufacture and bidi-making.

We may here take an account of what has been done in certain Indian provinces to support, develop or extend these industries.

Industrial Co-operation in the provinces. Madras. 6. The most important industrial co-operative societies in the province are the weavers' societies (263) many of which are affiliated to the Madras Handloom Weavers' Provincial Co-operative Society whose functions are, to arrange for the supply of raw materials to the primaries, to sell their finished goods and to develop, assist and control their work. In 1944, the number of members and the paid-up share capital of the Society were 550 (of whom 203 were primaries) and Rs. 1,36,020 respectively. It has undertaken to purchase outright, in certain cases, the goods of the primaries. It has opened 28 emporiums in the province and employed agents to make the goods of the primaries popular in other provinces. The Society has established 3 dye factories, 3 handloom factories and one screen printing factory at Madras. Other industrial societies in Madras number 161, consisting of societies for the manufacture of paper, toys, etc.

Bombay. 7. In Bombay, the most significant feature has been the formation of nine Industrial Co-operative Associations for organizing the handloom industry. The objects of the Association are (1) to supply improved appliances and raw materials, (2) to promote the production of improved patterns of cloth,

(3) to undertake preparatory and finishing processes and dyeing and printing, and (4) to accept handloom products from weavers on consignment account against partial payment or on outright purchase. The membership of an Association consists of weavers, primary societies of weavers and individual sympathizers. The Associations have received help from the Government in the shape of subventions and contributions to reserves and guarantee funds.

8. In Bengal, there are 16 industrial unions and one Provincial Co-operative Industrial Society. Besides the societies for weavers, which constitute the majority of the primary societies, there are societies for cocoon reelers, bell-metal workers, shoemakers, etc., and there are women's organizations for promoting homecrafts and selling handicraft products. **Bengal.**

9. Out of the 100 primary production and sale societies, 78 are of weavers. A Provincial Industrial Federation, which looks after the different types of industrial societies, arranges for the supply of raw materials and the production of goods either through the existing primary and central production and sale societies or through its own agencies. The value of business done through the Federation during 1943-44 exceeded Rs. 1.5 crores. It succeeded in organizing about 35 production centres in the province. It is now distributing over 60 per cent. of the total yarn available to handlooms and its monthly turnover amounts to about Rs. 35 lakhs. The handloom industry in the province has received a fillip from the war orders placed by the Supply Department. **United Provinces.**

10. In the Punjab, there are an Industrial Co-operative Bank and 4 Unions to finance industrial co-operatives which number about 400. The majority of the societies are of weavers, shoe-makers and carpenters. The Provincial Government have placed a staff at the disposal of the Department of Co-operation to supervise the industrial co-operatives. **Punjab.**

11. The most important industrial co-operative societies in Bihar are those for weavers. The out-turn of the 35 weavers' societies in 1943 was worth Rs. 3,44,163. **Bihar.**

12. Most of the societies in the Central Provinces & Berar are weavers' societies which purchase and sell yarn, and produce and sell cloth. A special mention should be made of the Central Provinces and Berar Weavers' Co-operative Society. The Society is meant to serve as a Provincial Marketing Society for the weavers' societies. Its membership consists of 35 weavers' societies and 400 individual weavers ; its monthly sales exceed Rs. 2 lakhs ; and its receives an annual grant of Rs. 12,200 from the Government. **Central Provinces and Berar.**

13. There are very few industrial co-operative societies in Sind, but they occupy a fairly important position in Mysore, Baroda, Travancore, Cochin and Kashmir.

Recommendations.

14. The foregoing review shows that the introduction and establishment on an extensive scale of subsidiary occupations in the form of cottage and small-scale industries are of supreme importance to India. We wish to emphasize here that the problem which we have to solve does not deal only with the provision of gainful occupations for the mass of the rural population which remains unemployed or unprofitably employed, but also, and to an important degree, with the organization and encouragement of subsidiary occupations for even the larger mass of rural population which is forced for a part of the year to while away its time in idleness for want of avenues of profitable employment. The organization of such occupations and industries in India is still in its infancy. Interest in them has been aroused in recent years, especially during the war, and our chief purpose should be to suggest how to develop them on sound lines so that when the artificial scarcity of their products created by the war is replaced by keen competition from abroad, they may be able to withstand the shock.

Regional Promotional Agencies—their functions.

15. Our first recommendation is, therefore, that regional organizations to foster the growth of small-scale and cottage industries and all subsidiary occupations should be set up in each province and state. We propose that these organizations should be called Regional Promotional Agencies. The area of operation of an Agency should be suitably selected with a view to entrusting it with just that volume of work which it can properly discharge. In large provinces like Madras and Bengal, there should be more than one Agency, but only one may serve the purpose in Sind and Assam at the start, although more Agencies than one will be necessary even in these provinces when the work is in full swing.

16. The functions of a Regional Promotional Agency will be to ascertain what small-scale and cottage industries exist in its jurisdiction and what facilities exist for marketing their products, to determine which of them should be maintained and encouraged and what new avenues of selling their products should be explored, to devise means to place those, which are to be encouraged, in such a position as will give a fair return to the workers, and to ensure that the products of these selected industries find an assured and remunerative market. The task which we assign to the Promotional Agency will require for its satisfactory performance, careful collection of information regarding the facilities offered in each region for the operations of the selected industries and regarding the marketing of their products, and more specifically on such matters as raw materials, markets for products, transport facilities, power, local rates and taxes and public amenities. The Agency will have further to consider to what extent the worker engaged in a particular industry depend upon it for their livelihood, whether it can survive in open competition with a large-scale establishment, whether the consumers interests will be better served by its continuance or replacement by large-scale produc-

tion, and whether the scale of the products can be promoted by selling through the existing channels of trade or by organizing co-operative societies. Even if the economic profitability of a small-scale or cottage industry is not promising, it may be advisable, in the interest of the workers engaged in it, that it should be supported, at any rate, for so long as an alternative occupation is not found for them.

17. After making the choice of industries which are to be maintained and encouraged and of the method by which their products are to be marketed, the Agency should organize the supply to the workers of the necessary equipment, tools and plant and raw materials and arrange for the sale of the products. Assistance in these directions is rendered essential on account of the abuses, noticed earlier, which arise when the money-lender or the supplier of raw material uses his superior position to have himself appointed as the purchaser of the financed products, and dictates all the terms of the bargain in his favour. The supply of raw materials is of the utmost importance to small-scale producers as their price, usually, forms the largest proportion of the total outlay on production. The Agency should examine the conditions prevailing in the markets for the raw materials and come to a conclusion on whether the prices charged for them are fair and reasonable, and, if they are not, it should adopt means for making them so.

18. A matter to which, we recommend, the Regional Promotional Agency should pay particular attention is the introduction to and use by industrial co-operatives of small electric motors and machine tools where the supply of electricity is cheap. Handloom and metal and brass industries are worked at present by manual labour, and the process of work is tiringly monotonous and slow. Both the quality, specially as regards the finish, and the volume of products are likely to be considerably improved and increased by the use of electric power, as has been the case in U.S.S.R., the Scandinavian countries and Japan. The Regional Promotional Agencies, in electrically developed parts of India, like Madras, Bihar, the Punjab and the western districts of the United Provinces should investigate the possibility of supply electric motors and the necessary equipment to the workers. The conclusions arising out of their investigations will be one of the items in the programme which the Agencies will submit to the Provincial Co-operative Council. We suggest that electric motors and equipment should be supplied on hire-purchase system. We also suggest that Government should take into account the estimated demand of small-scale industries for electric power in addition to that of larger industries and for demestic use in deciding whether a certain hydro-electric scheme should be undertaken or not.

Handloom industry—specific recommendation.

19. We make a specific recommendation as regards the handloom industry. It is commonly recognized that the most economical organization for the production of certain kinds of cloth is to have the yarn spun in a factory and the cloth woven

at home, and that the handloom industry is handicapped by the fact that it has to depend for its raw material on its competitors, *viz.*, the organized textile industry. The Regional Promotional Agency should hold an enquiry into the methods of supply of yarn to weavers, and report, within one year of its establishment, to the Provincial Co-operative Council, whether a spinning mill owned by co-operative handloom weavers' societies or the State should be set up in its region. If the mill is owned by the former, they will not be able to raise sufficient capital, all at once, for its construction. We recommend that in that case a loan, at the prevailing Bank Rate, should be made by the State for the construction of buildings and purchase of machinery and other equipment and for fixed capital generally. The loan should be subject to the condition that it will be repaid within twenty years. The mill will further stand in need, at the beginning, of assistance as regards the working funds, which may not be obtainable from the banks due to lack of tangible security for the loan. We, therefore, recommend that the State should give a guarantee to the provincial co-operative bank for opening a cash credit account up to a fixed limit in favour of the spinning mill for one year from a date fixed by the State in consultation with the Regional Promotional Agency. This guarantee should be renewed from year to year so long as the State in consultation with the Regional Promotional Agency considers it necessary.

Rural Electricity Co-operatives.

20. The distribution of electric power in rural areas has been undertaken in certain foreign countries by co-operative societies. Under the Rural Electrification Administration in U.S.A., co-operative societies have made remarkable progress in providing electric services for an increasingly large number of farms. Under the Federal Rural Electrification Act, the co-operatives may borrow money not only for line construction and for electricity generating plants but also for making loans to their members for the wiring of premises, purchase of electric appliances and farm equipment. Of the funds allotted to the R.E.A. for rural development up to May, 1943, 95 per cent. has been utilized by co-operatives with the result that rural electric lines now serve 1,036,363 farms and a number of rural establishments. The loans given to the members carry an average interest of slightly less than 3 per cent. and are repayable in 25 years. The fact that, electric co-operatives operate on a non-profit basis had its effect on the rural rates charged by commercial power companies. The growth of co-operative electric societies has opened up rural areas to the establishment of small industries dependent on power.

21. In India, many schemes of hydro-electric development for the supply of light and power are in force or are under consideration in the various provinces, *e.g.*, Bombay, Madras the Punjab and the United Provinces. We recommend that, wherever such schemes are in operation or come into operation, the Provincial Co-operative Council should examine the

possibilities of establishing and, if satisfied as regards their prospects of success, establish co-operatives for the distribution of electricity for light and power in rural areas.

Cottage Industries for Women.

22. We are indebted to Madras for the suggestion that women's cottage industries should be developed on co-operative lines. There are numerous middle class families the women members of which earn their livelihood by tailoring, needle-work, lace-making and embroidery, knitting, and preparation of pickles and 'papads'. They are much more exposed to the abuses which are resorted to by unscrupulous money-lenders and middlemen, as some of them observe 'purdah' and all of them have weak bargaining power. We recommend that women's co-operative societies should be organized by Regional Promotional Agencies, special arrangements being made for supplying raw materials and for marketing the products of the industries to their best advantage.

Constitution of Regional Promotional Agency.

23. The organization of the Regional Promotional Agency should, we recommend, consist of a Board of Advisers and a whole-time officer, whom we call Promotional Officer. The chief qualification for the selection of the Promotional Officer should be his aptitude for and sympathy with the Co-operative movement, but he should also have business experience and possess knowledge, so far as possible, of the technical and organizational side of the industries with which he may have to deal. In order that the Promotional Officer may be sufficiently qualified and enjoy sufficient prestige, we recommend that his status and salary should be those of a Joint Registrar. He will be the chairman of the Board of Advisers, and the chief executive officer of the Regional Promotional Agency, but, administratively, all Promotional Officers and Regional Promotional Agencies will be under the Registrar of Co-operative Societies or the Registrar of Industrial Co-operative Societies as the case may be. The Registrar should have, at all time, the right to attend any meeting of the Board of Advisers of a Regional Promotional Agency. The Board of Advisers should consist of not more than seven members including the Promotional Officer.

24. We recommend that the Promotional Officer and the members of the Promotional Agency should be appointed by Government, but the appointment of the members should be on the nomination of the Provincial Co-operative Council. The Council should nominate two persons who are directly engaged in the chief small-scale or cottage industries of the region ; one person who possesses knowledge of industrial finance, preferably of financing the industries flourishing in the region, and carries out his business in or has had business connexion with the region ; one person who is engaged or interested in the wholesale trade of the products of local industries ; and two persons recommended by the Registrar of Co-operative Societies or the Registrar of Industrial Co-operative Societies as the case may be on the ground of special knowledge of the technical

aspect of the industries or markets, or finance or business in general, these two generally being the expert advisers employed by the Industrial Co-operative Department for the supervision and guidance of small industries.

Federations of Industrial Co-operatives.

25. We expect that in course of time industrial co-operatives will attain sufficient strength and stability to form their own federations. We recommend that the formation of these federations should be encouraged with a view to enabling them to take over the functions of the Board of Advisers of the Area and Regional Promotional Agencies. In order to avoid the dangers of a sudden transition from those agencies to Federation, we recommend that the latter should first take over the functions of Area Promotional Agencies, described in the following paragraph and afterwards those of Regional Promotional Agencies, and not simultaneously. On their being taken over by the Federations, the members of the Boards of Advisers of the Promotional Agencies will be appointed by the Federations, but we suggest that the qualification of members should continue to be as suggested by us in this Report.

Jurisdiction of Regional Promotional Agencies.

26. The jurisdiction of the Regional Promotional Agency should be divided into a number of convenient Areas, each Area being in the charge of a Deputy Promotional Officer. The Deputy should also be a whole-time Government Officer, and his pay should be on the scale of Rs. 250-25-500-50-750. The qualifications of a Deputy Promotional Officer should be possession of knowledge, generally, of business methods and commercial practices, and, particularly, of at least one of the important small industries in his Area.

27. The Deputy Promotional Officer should also have attached to him a Local Board of Advisers whose members should be appointed on the recommendation of the Provincial Co-operative Council and should have the same number of members possessing the same qualifications as the members of the Regional Board.

28. Each Deputy Promotional Officer should be assisted by about six Field Workers appointed by the Registrar on the recommendation of the Promotional Officer. They should be drawn, as far as possible, from the rank of the workers, engaged in local small industries, should possess sufficient technical and educational qualications, to be able to study the literature dealing with the industries in their charge. We suggest that their pay should be on the scale of Rs. 125-7½-200-10-250.

Cost of a Promotional Agency.

29. The cose of Promotional Agencies has been worked out at the end of this Chapter. It is so large that the small-scale workers cannot be expected to meet it. We recommend that the whole of this cost should be borne by the State as is done in U.S.S.R. The most remarkable progress in developing handicraft industries and handicraft co-operatives has been made in that country, and the success there is attributed to "a large measure of support and leadership "* given by the State.

* World Co-operation by Dr. N. Barou.

30. The Regional Promotional Agency will thus have a staff which will place at its disposal the material necessary for drawing up a programme for the development of existing and encouragement of new industries. New industries will be started at a later stage, but we mention them here in order to complete the picture of the activities of the Promotional Agency. At the same time as the Agency selects suitable industries, it will prepare a statement of capital expenditure on the supply of machinery, tools, and plant ; of working funds required for raw material, and holding and marketing of finished products ; and of estimates of profit and loss. The report on the industries selected along with this statement, will form a programme which will be submitted for approval to the Provincial Co-operative Council. On approval, the Council will forward it to the Registrar who will obtain from the Government such orders as may be necessary.

Development of new industries and the Promotional Agency.

31. In implementing the various proposals which we have made in this Chapter, the provincial governments will have to decide the question of the department of Government which should be entrusted with the administrative control and supervision of small-scale and cottage industries. The problems of these industries have to be treated as a whole without dividing them into two classes, one class consisting of industries organized on co-operative lines, and the other of industries managed by individual workers ; and it seems advisable that there should be one agency to foster the growth of all small industries. It will be the duty of this agency constantly to compare the advantages of co-operative and individual effort in each industry and to advise on which kind of effort is best suited for a particular industry, and this duty it will be best able to discharge if it is in close contact with all small industries. We are, therefore, of the opinion that all small-scale and cottage industries should be placed in charge of one department of Government.

Need for a separate department for industrial co-operatives and small industries.

32. At present, administrative control over these industries is exercised, in most provinces, partly by the Department of Industries and partly by the Department of Co-operation. This arrangement suffers from the common defects of dual control, *viz.*, lack of full attention for fear of trespassing on the other Departments' field, unco-ordinated treatment of inter-related problems, weakening of responsibility, and departmental jealousy and friction. There is little to recommend the continuance of this arrangement and we strongly suggest that it should be discontinued.

33. If one single department is to be placed wholly in charge of small-scale and cottage industries, one of the three courses may be followed. The charge may be given wholly to the Industries Department on the Co-operative Department, or a new Department may be created exclusively for this charge. The Industries Department has been set up principally to look after the interests of large-scale industries and their labour

establishments, and to administer special acts like the Factories Act, the Boilers Act, etc. From the nature of its duties, it is largely concerned with activities in urban areas, and has few points of contact with rural areas and rural population. The outlook of the Industries Department is, therefore, preponderatingly urban, and it is inadvisable to place on it responsibilities for this satisfactory discharge of which long and intimate knowledge and experience of rural problems and active sympathy with rural population are pre-requisite conditions. Besides, the post-war planning has given a large place in its schemes to the industrial development of India. These schemes will make a very large call on the time, attention and resources of the Industries Department. This Department will not, therefore, have the necessary qualifications, equipment or time to look after the many-sided activities which, we propose, should be undertaken in order to improve rural conditions by the organization of small-scale industries.

34. The Co-operative Department possesses the necessary qualifications for undertaking this responsibility ; it has rural background, it has long experience of working in rural areas ; it is the only Department which is well versed in the principles and practices of co-operative technique. It is in much the best position to study the potentiality of rural industries both on the sides of supply and demand and to organize them either on co-operative or individual lines. During this war, it has been enabled to acquire considerable experience of rural industries by the actual execution of orders for many of the products of these industries. We, therefore, recommend that the Co-operative Department should be placed in charge of fostering the growth of these industries on the proposed by us.

We are, however, conscious of the fact that on account of the immensity of the burden of responsibility which would be placed on the shoulders of this Department by the acceptance of our recommendations in other Chapters of this Report, the Registrars of Co-operative Societies in some provinces may find it impossible to devote to all of them that personal attention and to give that personal guidance which alone will justify their being placed under one Head. Even the appointment in these provinces of a Joint Registrar exclusively for rural industries will not in such cases solve the difficulty as it will not dispense with the necessity of the Registrar's remaining in personal touch with the problems and affairs of this section of his Department. We are of opinion that an arrangement like this may put too much strain on the Registrar and his Department to the serious detriment of the interests of rural industries and, consequently of rural welfare. We, therefore, recommend that in these provinces a separate Department should be created exclusively to look after the industrial development of rural population generally and the development of small-scale and cottage industries, whether in rural or urban areas, in particular. The head of this Department should be of the same status as the

Registrar of Co-operative Societies and called the Registrar of Industrial Co-operative Societies and Director of Small Industries. The officer selected for this post should have had adequate experience in the Co-operative Department. Where, however, the Registrar of Co-operative Societies undertakes the organization of small and subsidiary industries on the lines recommended by us, he should be assisted with all the staff recommended by us.

Finance required by industrial co-operatives.

35. Industrial co-operatives will require finance for fixed capital and working expenses. Eventually, both requirements should be met by the members from their own funds accumulated with the co-operatives. We, however, realize that, at present and for a number of years to come, financial assistance, for both purposes, will have to be given by an outside agency. We, therefore, recommend that for the purpose of fixed capital, like buildings and expensive capital goods, the State should give subsidies and advance loans at the Bank Rate of interest repayable in twenty years. These subsidies and loans should, we suggest, be given through the provincial and central co-operative banks or through the Co-operative Industrial Banks, the establishment of which we propose in the following paragraph.

36. So far as the funds for raw materials and working expenses are concerned, different practices are followed in different parts of India. In Madras, the Government guarantee the losses which may be incurred by the central co-operative banks which are the financing agencies there and provides the cost of the necessary capital equipment. The Bombay Government have adopted a different method, although it is only a temporary war-time measure ; it provides what is called a "guarantee" fund to meet the expenditure on fixed capital and to serve as a margin for loans for raw materials and working expenses. This "guarantee" fund is not repayable to Government so long as the advances taken from the co-operative financing agency remain outstanding. This system ensures that the ordinary banking practice of stocks being hypothecated with the bank or pledged to it, and stored under its custody in a warehouse over which it has control will continue to be followed. We recommend that similar guarantees should be given by all provincial governments, until such time as the industrial co-operatives are able to find their own funds. The marginal advance by and the cost of the guarantee system to a Government will be comparatively small.

The guarantee may be discontinued on the report of the Promotional Agency, confirmed by the Registrar, that the need for such Government assistance no longer exists.

In both provinces, Madras and Bombay, the financing of short-term needs of industrial co-operatives is done by co-operative banks. We recommend that this practice shoud be followed wherever possible, and that the supply of funds to

industrial co-operatives for raw materials and working expenses should be made by the provincial and central banks, where they exist and have sufficient resources. At those places where these banks do not exist or do not possess sufficient resources, or it is considered desirable to do so for any other reason, we recommend that separate Co-operative Industrial Banks should be established exclusively to look after the financing of industrial co-operatives.

Need for creating a fund out of profits.

37. We repeat what we have stated earlier that industrial co-operatives should eventually find their own funds. To achieve this end, we recommend that they should build up a fund from their profits for two purposes, *viz.*, (i) to repay loans and advances taken from Government for fixed assets or for use as a margin for working expenses, and (ii) to provide for working expenses, replacement and expansion.

Questions such as protection and reservation of markets, etc., to be referred to a special committee or the Tariff Board.

38. The Promotional Agencies, which we recommend, will be the stewards of existing and prospectors of new small industries, but their horizon will extend only to the boundaries of their respective regions. Nor will they be suitably equipped for collecting certain broader information and expressing opinion on certain larger problems affecting the whole of India. In India, we are still imperfectly aware of what large-scale and small-scale industries should be selected for the post-war period, and what their relative spheres of operations should be. Further, it seems necessary for developing certain small industries that tariff protection should be extended to them. Still another problem which has been debated recently without arriving at any definite conclusion, is whether certain markets should be reserved, partly or exclusively, for the products of small industries. A well-informed and authoritative lead on these questions is urgently necessary. We recommend that these questions should be referred to either a separate committee or to the Tariff Board which has been recently set up by the Government of India or to the permanent Tariff Board which may be constituted hereafter for considering the question of protecting Indian industries from foreign competition ; we also suggest that the Tariff Board should be specially charged with the duty of safeguarding the interests of cottage and small-scale industries.

Government to give preference to the products of small-scale industries in purchasing their requirements.

39. We recommend that as a contribution towards securing an assured and remunerative market for the products of small industries, Central and provincial governments should adopt a policy of purchasing for the requirements these products in preference to the products obtainable from any other source.

Ex-servicemen and Industrial Co-operation.

40. We recommend that ex-servicemen and war technicians should be encouraged to join industrial co-operatives, especially as many thousands of them have been and will be given training in small-scale industries. Their presence in the co-operatives will be a source of great strength as they will contribute to them

their trained skill, and habits of leadership, drive and discipline which they have acquired during the period of their service.

Financial help by The Reserve Bank of India.

41. We would like to refer here to the eligibility of provincial co-operative banks to borrow money from the Reserve Bank for financing industrial operations or the marketing of industrial products. In recent years, industrial co-operatives have come into greater vogue and their activities are increasing at a rapid pace. We recommend that Section 17(2) (a) of the Reserve Bank Act should be so amended as to empower the Bank to give financial accommodation to provincial co-operative banks for advances and loans to industrial co-operatives up to one year.

Estimate of Cost (for British India)

42. **A. REGISTRAR OF INDUSTRIAL CO-OPERATIVE SOCIETIES AND DIRECTOR OF SMALL INDUSTRIES.**

(*i*) Numbers	11 (1 for each province)	
(*ii*) Average monthly salary on the basis of 25 years' service on the senior scale of the I.C.S. ..	Rs. 1,695*	
(*iii*) Cost	Rs. 1,695 × 12 × 1.	Rs. 2,23,740

ESTABLISHMENT.

1 Manager	Rs. 200	
Cost	Rs. 200 × 12 × 11	Rs. 26,400

B. REGIONAL PROMOTIONAL AGENCY

I. PROMOTIONAL OFFICER

(*i*) Number	33 (3 for each province)	
(*ii*) Average monthly salary on the basis of 25 years' service on the senior scale of the I.C.S. ..	Rs. 1,695	
(*iii*) Cost	Rs. 1,695 × 3 × 12 × 11.	Rs. 6,71,220

II. BOARD OF ADVISERS (FOR EACH PROMOTIONAL AGENCY)

The cost will consist mainly of (*a*) daily allowance of about Rs. 10 per day per member for a meeting and (*b*) second class fare to and from the place of meeting.

Number of Board of Advisers : ..	33 (1 for each Promotional Agency)	
Number of meetings per month : ..	1	
Number of members per Board : ..	7	

* In those provinces where the Registrar of Co-operative Societies remains in-charge of small and subsidiary industries, a separate Joint Registrar will be appointed to assist him.

Total daily allowance per member per meeting at the rate of Rs. 10 per day for 5 days (probable duration of a meeting) plus second class fare per member to and from the place of meeting at the rate of Rs. 30 per member per trip	Rs. 50 + Rs. 60 = Rs. 110	
Cost	Rs. 110×7×33×12	Rs. 3,04,920

C. AREA PROMOTIONAL AGENCY

I. DEPUTY PROMOTIONAL OFFICERS

(*i*) Numbers	66 (2 under each Promotional Officer or 6 in a province).	
(*ii*) Average monthly salary in the scale of Rs. 250-25-500-50-750 (not providing for (*a*) provident fund contribution, (*b*) leave salary and (*c*) other allowances) ..	Rs. 580	
(*iii*) Cost	Rs. 580 × 12 × 6 × 11	Rs. 4,59,360

II. BOARD OF ADVISERS FOR EACH DEPUTY PROMOTIONAL OFFICER

The cost will consist mainly of (*a*) daily allowance of about Rs. 10 per day per member for a meeting and (*b*) second class fare to and from the place of meeting.		
Number of Local Board of Advisers ..	66 (1 for each Deputy Promotional Officer).	
Number of meetings per month ..	1	
Number of members per Board ..	7	
Total daily allowance per member per meeting at the rate of Rs. 10 per day for 5 days (probable duration of a meeting) plus second class fare per member to and from the place of meeting at the rate of Rs. 15 per member per trip	Rs. 50 + Rs. 30 = Rs. 80	
Cost	Rs. 80 × 7 × 66 × 12	Rs. 4,43,520

D. FIELD WORKERS

(*i*) Number	396 (6 Field Workers for each Deputy Promotional Officer or 36 in a province).	
(*ii*) Average monthly salary in the scale of Rs. 125-7½-200-10-250 (not providing for (*a*) provident fund contribution, (*b*) leave salary and (*c*) other allowances) ..	Rs. 203	
(*iii*) Cost	Rs. 203×12×6×6×11	Rs. 9,64,656
	GRAND TOTAL	Rs. 30,93,816

E. FINANCE FOR THE PROMOTIONAL AGENCIES—NOTE.

The Promotional Agencies will require finance, among other things, for (a) supplying to the workers the necessary equipment, tools, plant and raw materials, (b) for establishing a spinning mill which will be owned by the co-operative handloom weavers' societies and (c) for the purchase of electric motors for industrial co-operatives. Again, the various industrial co-operatives will require finance, particularly for fixed capital like buildings and for capital goods.

No estimates for these have been prepared for lack of sufficient data.

CHAPTER VIII

LABOUR AND CIVIL CONSTRUCTION.

Introductory.

A labour co-operative society is a form of organization for the employment of a group of workers who associate to work together for a joint reward. Its chief characteristics should be that the workers choose their work-mates, select their leader, and make the division of the proceeds of their collective labour in accordance with their choice ; and its greatest attraction lies in the freedom which the workers enjoy in arranging the details for the execution of the work without the employer's supervision, except an inspection by him at the completion of each successive task, to ensure that the work is being carried out according to specification. The method of payment for its work is of the type of piece-wage in so far as it is based upon output, but its method of business is peculiar to itself as its members enjoy a great degree of autonomy by virtue of its entering into a direct contract with the employer. On the other hand, it differs from the system of sub-contract in which a person takes a contract from an employer, and for the execution of this contract converts himself into an employer hiring a number of workers to do the job. The most distinguishing feature of a labour co-operative society is that each worker assumes responsibility as the fair price of freedom, and his only master is the work itself.

2. This form of labour organization has its advantages for the employer also. The first advantage is that associated with piece-wage methods of payment, *viz.*, faster work, reduced overhead charges, and a constant wage cost per unit ; and a unique advantage is derived from the fact that workmen take responsibility for the manner in which the work is done and relieve the employer from the irksome duty of maintaining discipline in industry.

3. In foreign countries, labour co-operatives have attained a varying measure of success. In France, Italy, Palestine, New Zealand and certain other countries, labour co-operatives have been sucessfully organized in different branches of production such as coal mining, agricultural works, quarries, public works, etc. This form of organization fits in with the increasing division of labour in industry and with the tendency shown by the great industrial undertakings to split up into a large number of specialized departments.

Labour co-operative in foreign countries.

4. Since the middle of the 19th century, co-operative work has developed in the printing trade under the name of *travail en commandite*. The *commandite* is an association of workers

France.

of a common employer, which undertakes to carry out on its

own responsibility a specified job or group of jobs. The movement arose out of the unfair results of piece-work in the printing trade. The commandite in its dealings with the employer is represented by its delegate. It receives from the employer in a lump sum, the agreed payment for the work. Three types of commandite may be distinguished according to the method by which this lump sum is shared among the members : the *pro rata* commandite, the equalizing commandite and the mixed commandite. In the *pro rata* commandite each member receives a share of the total sum proportional to his output. In the equalizing commandite each member's share is proportional to the time he has worked ; the pay per working hour is the same for all the members whatever their hourly output. In the mixed commandite, each member's share depends, as in the equalizing commandite, on the number of hours of work he has done with the difference that hourly output is also taken into account, but only in the case of those members whose hourly output is below the normal. For these less productive workers, the number of hours actually worked is reduced to standard hours, the latter being calculated by dividing each worker's total output by what is considered the normal hourly output. It often happens that in these different types, certain operations are paid at special rates. In the beginning, the less productive workers favoured the *pro rata* commandite because they thought that it was a guarantee against selective elimination. Certain capable workers also liked it because they found it to their individual advantage. But the disadvantage of the *pro rata* commandite is that it creates a feeling not of friendly rivalry, but competition among the members. At present there are no *pro rata* commandites in France. The equalizing and in a few cases the mixed commandites are the only ones which have gained ground.

5. Labour co-operatives occupy a prominent position in Italy. **Italy.**

In a typical primary society the shares are valued at 50 lire, payable at the rate of 1 lira a week. The liability is limited. No one may hold more than 100 shares. Special funds are set apart for professional instruction and insurance. Each society on joining the local union has to pay one-fifth of its share capital. It must also subscribe 1 share of 100 lire for every 100 members of the society. The union's profits are divided as follows :— 50 per cent to interest on capital (maximum rate of payment on capital is 5 per cent which goes to the primary societies, there being no individual members) ; 25 per cent to the National Federation to purchase supplies and equipment for its work or to finance contracts ; 25 per cent to its reserves. The executive of the union is a board of directors whose duties are to assist in securing work, supplies and technical direction ; to engage and dismiss their technical director (subject to the approval of the National Federation), the managers of member societies, inspectors, clerks and workers ; to undertake contracts, allocate the work to the member societies, to purchase tools and machines, etc., to arrange loans and finance the execution of the contracts.

The technical director may, or may not, be a member of the union or one of its societies. Sometimes, a consultative committee of 3 technical men is formed (one of whom may be from outside). Normally, all the workers engaged on a contract must be members with exceptions allowed only under special Government regulations. The union which is set up for a minimum period of 15 years has the right to inspect the member societies and their books.

The National Federation is established for a minimum period of 10 years. It includes not only the labour societies but other productive societies as well. The member unions must take up shares to the value of one-tenth of their own capital. The Federation's functions are to co-ordinate and control the union's constructional work and to assist them financially ; to undertake large contracts affecting several unions or an area where there is no union ; to work quarries, kilns, workshops for stone, metal or other materials ; to prepare schemes and plans for roads and railways ; and to manage the provident fund for workers. Fifty per cent of the Federation's profits are devoted to social and provident funds for the benefit of the members of affiliated societies, the remainder going to the reserves.

The types of work undertaken by the societies include construction of drainage, embankments, roads, bridges, buildings, etc.

The payment is made collectively to the entire group of workers in a society in accordance with the amount of work done. Each man in the group has thus not only an incentive to do his best, but also an interest in the others doing the same ; it is worthwhile for the stronger or abler members to assist or teach the weaker or the less experienced. This method of payment also facilitates supervision.

The Government have given substantial assistance to these societies. The Law of 1899 declares that the Government authorities may, either by private bargain or public tender, grant to co-operative societies, contracts up to 100,000 lire, in cases in which the cost of labour constitutes the main part of the job. The Law of 1904 does away with the provision that the cost of labour must predominate in the contract. It extends the limit to 200,000 lire, and admits co-operative agricultural societies to the same privileges. The Government may inspect the society's account as often as it wants.

Palestine.

6. An interesting feature in the Co-operative movement of Palestine is the development of co-operative labour contracting societies. At the end of 1940, there were 68 co-operatives affiliated to the Union of Co-operative Workers' Productive and Service Societies. Of these, 9 were passenger transport co-operatives, 13 goods transport co-operatives and others were distributed among different branches of industrial activities like metal work, electrical installation, sanitary installation,

timber and carpentry, clothing, printing, baking, etc. These co-operatives had a total of 1,984 working members, of whom 949 worked in passenger transport co-operatives and 204 in goods transport co-operatives. The urban labour contracting societies are prominent in the building industry. They undertake contracts for the building of houses, construction of roads and bridges, etc. They provide the required material and labour, own modern machinery and usually employ technical advisers. Since the war, these societies have been carrying out Army contracts.

7. The special interest and importance of the co-operative contract system in New Zealand lies in the extensive nature of the public works carried out under it, the comparatively large number of men associating together in such contracts and the fact that the method has endured now for over half a century. The co-operative contract is to be found in certain other types of work also, *e.g.*, in coal and gold mining, in the saw-milling industry, and in a modified form in the meat freezing industry. New Zealand.

The method followed in co-operative contracting is as follows. The engineer or other official in charge of the works prepares a specification and a schedule showing as accurately as possible the nature and quantities of work contained in the proposed contract. The engineer then fixes a price for the work at so much per unit, (*e.g.* per cubic yard of soil to be removed). The price per unit is fixed at such a level that it " will permit a workman of average ability to earn a daily wage equal to the appropriate rate of pay " given to a labourer directly employed by the Public Works Department ; and a list of hourly rates of pay for different classes of workers according to trade and skill is set out. When the contract documents have been prepared and the price fixed, the workers form a group, usually of not more than twelve members and sometimes as small as three or six, and select a headman who acts as the group's representative in all negotiations concerning the contract. All members of the group then sign the contract and begin work. The apparatus and tools necessary for carrying out the contract are supplied by the Government free of charge with certain exceptions. These exceptions are chiefly consumable stores, and explosives, which might be wasted if they were supplied free, and these are provided at cost price.

The level at which the price of the contract is fixed determines the earnings of the workers. Though it is understood that the price shall be such as to enable a workman of average ability to earn the minimum hourly rate, usually a price is fixed which will yield this class of worker an hourly rate of pay in excess of the minimum hourly rate paid to a directly employed worker. Thus, co-operative contracts generally except to earn an hourly rate of pay about 20 per cent higher than the minimum. This is merely the recognition, as is usual in piece-wage

agreement, that the piece-worker by virtue of his faster rate of work is entitled to a higher rate of payment than the worker on a time-wage.

The hourly rates mentioned above are for men employed at a day wage on work not let as contracts. Although these hourly rates form the basis for the prices fixed for co-operative contracts, they are not in any sense a guaranteed minimum wage. The hourly rates are only a standard to judge by.

The workers are paid at fortnightly intervals and receive at the end of the first fortnight of each four-weekly period an advance of about 75 per cent of their estimated earning. Once in every four weeks, the quantity of work is measured and a settlement arrived at, including the advances received and deductions for explosives and stores. A part of the payments due to the group, usually not more than 2½ per cent of the total value of the wages owing, is generally retained by the Government until the contract is completed. This guards against the workers abandoning the contract in the middle of its execution and ensures that it is properly finished. Any damage done to tools or equipment can also be made good by deducting from this sum at the conclusion of the contract.

The division of the proceeds of the contract is decided by the workers themselves, and their decision is communicated to the official in charge of the works by the headman of the party. The headman often receives, by general agreement, a slightly greater share than others, otherwise all members usually share alike. Where, however, men of unequal skill are working together the proceeds are divided not equally but in proportion to the minimum hourly rates of pay for each class of workers. A time-keeper appointed by the Government keeps a record of the time worked by each member of the party. The headman also has the duty of keeping a similar record of the hours worked. He supplies his record to the Government time-keeper, who checks it against his own. The proceeds of the contract are divided according to the hours of work done by each man.

The records of hours worked and payments made receive close scrutiny in the district offices of the Public Works Department, for, the hourly rate of earnings paid to co-operative contractors is the only indication available as to whether the contract has been fairly priced. If the hourly rates seem unduly high or unduly low enquiries are made with a view to the revision of prices.

Conclusions to be drawn from the study of labour co-operatives abroad.

8. (1) Certain conclusions emerge from the study of labour co-operative organizations in foreign countries. Co-operative method of work in this field seems to be very suitable for a number of tasks on the construction of railways, roads, and canals, levelling, ballasting, plate laying, and tunnelling, the construction of bridges, culverts and drains, and masonry work, or the extraction of timber and other minor forest products

That is to say, this method holds out hopes of success largely in respect of tasks which require for their performance either unskilled labour or skilled labour of an elementary type. Highly skilled labour uses delicate tools and expensive machinery, which it does not own and over which their owner must keep a constant watch ; it cannot therefore organize itself as easily into an autonomous unit as unskilled and semi-skilled labour can do. Labour societies may, however, employ technicians and highly skilled labour as and when necessary.

(2) Labour co-operatives should be generally composed of a small number of men. The co-operative contract is in the nature of group piece-work, and the incentive of the piece-wage is likely to be lost in a large group in which each man feels that it is no use exerting himself if the result of his efforts may be lost by the slackness of another man. A group should, therefore, be small enough for all members to know what each one is doing, and to ensure that all are of approximately equal ability. The smaller the group, the better are the men able to judge each other's abilities, to fit abilities to jobs and to establish a basis of equality. There is, however, no objection to co-operative societies being organized for a large number of men, but it will be necessary for them to work through small self-contained units.

(3) The co-operative group should have the right of choice of work-mates. That is necessary to ensure a group of men of equal ability. It this right did not exist, fast men might get mixed up with slow men, and the group piece-wage would lose its efficiency. This right will insure high earnings. The slow man is not penalized by the exercise of this right, as he can enter a group of his own peers.

(4) The employer who engages into a contract with a labour co-operative society, should first make a preliminary calculation of the work to be done, and draw up the detailed plans and specifications and prepare a schedule showing as accurately as possible the nature and quantities of work contained in the proposed contract. He should, at the same time, fix a price for each item of work at so much per unit.

(5) The employer should provide the necessary tools and machinery and equipment for the execution of the work, care being taken that consumable stores are supplied at the cost of the workmen. In order to cover the probable loss by damage to machinery or equipment, a certain deduction should be made from the payments to the society and kept as a deposit till the work is completed.

(6) The method of inviting tenders and accepting the lowest one militates against the policy of assured employment and exposes labour to the danger of being sweated ; it is also fraught with the dangers of corruption. It would be in keeping with the spirit of co-operative service if contracts are

assured to labour contract societies and awarded to them at rates which enable an average workman to earn a fair wage.

(7) Payments should be made by the employer at short, regular intervals of a week, a fortnight or a month, so that workmen may be able to maintain themselves and their families without having resort to borrowing for this purpose. Here again, a deduction should be made from the payments in order to insure that the contract is not abandoned before completion.

(8) The safeguard of a well organized federation is necessary to protect the rights of the co-operative societies, to check the prices fixed by the employer, and to stop the co-operatives from undercutting one another or accepting conditions which may undermine the position of other workers.

Labour co-operatives in India—present position.

9. A few labour co-operatives have been organized in some of the provinces.

Madras.

There are twenty-six labour societies for labourers who do work on supplying road-metal, repairing and building roads, digging canals, etc. Seven of the labour contract societies are urban and the remaining nineteen societies are rural. In Madras City there is one labour contract society of skilled labourers who can build modern houses. The other labour societies consist mainly of unskilled labourers as members with a certain number of skilled labourers, assisted by honorary presidents and secretaries and a paid staff of maistries and clerks. They are able to tender for various works given on contract. They have in this way constructed buildings, dug canals, supplied road-metal and undertaken repairs of roads. The profits are passed on, after meeting the cost of supervision and other charges to the actual labourers as bonus at the end of the year in proportion to the units of work done or the wages earned by the members. On 30th June, 1944, the total number of members on the rolls of the 26 societies was 2,080 of whom 1,690 were actual workers and 390 were helpers. The value of work executed and pending execution amounted to Rs. 87,947 and Rs. 40,582, at the end of the year. The wages paid by the societies to the members and non-members amounted to Rs. 11,196 and Rs. 12,667. The success that these societies have achieved is due to the constant supervision by the staff of the Co-operative Department and the constant advice and attention given by local officers, since the members themselves do not possess sufficient education, knowledge or business ability to conduct the affairs of the society, properly.

Punjab.

The Kangra Workers' Co-operative Society had a working capital of Rs. 1,783 and a membership of 378. Its main objects were to secure employment or contracts for their members and to arrange for the supply of food, etc., to the members when required.

There is only one society at Chittagong for labourers for undertaking contract work such as road-building, excavation of canals, etc. The members, owing to the unsettled conditions created by the war, have been scattered in different places and have lost touch with the society. Bengal.

10. General Headquarters has prepared a basic scheme for the organization of Civil Construction Co-operatives for demobilized services personnel. Its objects are to secure for the members of a co-operative a proper living wage, assure employment, work best suited to their capabilities, and approved conditions of employment. These objects are to be achieved by ensuring a minimum wage, by obtaining a share in profits, by persuading Government to provide assured employment, by giving preference to these co-operative societies in the allotment of contracts, by providing for the inclusion of skilled labour in each co-operative society where such labour is required, thus offering propects of advancement, and by securing proper living conditions " by organized living, feeding and recreation and the provision of facilities for thrift, education and character building." It is proposed that in each province and major state there should be a Director of Civil Construction Co-operative possessing engineering qualifications and experience. Under him there will be an officer of the status of a District Engineer for each district in heavily recruited areas, or for a charge when the work is of a size sufficient to employ 6,000 or more men in a single society. This officer will have under him a number of Assistant Engineers, each of whom will be in charge of a unit comprising of sub-units formed of unskilled, semi-skilled or skilled men in the required proportion. The real basis of the organization is, however, a group of unskilled labour working under a supervisor. Skilled persons are admitted to the society on an " as required " basis in accordance with the class of work undertaken. Heavy machinery required on a work will be supplied by P.W.D. at agreed rates. Ordinary tools and equipment will be owned by the Civil Construction Co-operative, but certain articles like showels, picks and lanterns may be owned by individual members. The cost of articles owned by individual members will be debited to their accounts, against the paid up share capital. When a man leaves a society, his share capital will be refunded after making deductions for depreciation, damage or loss of the articles entrusted to him. The officers and men of each unit will be enrolled as members of the society each paying a specified share of Rs. 20 to Rs. 25, and will form the general body. This body will consider matters of general policy, elect the men's representative to the managing committee and transact such other business as may be prescribed by its constitution. The officers and supervisors of the society will be ex-officio members and office-bearers of the general body and the managing committee and will be vested with full exeeutive authority, including the power of veto G.H.Q. Scheme for Civil Construction Co-operatives.

under specified conditions, so as to promote efficient and proper working of the units in the early years of their organization. The units will be registered under the Co-operative Societies Act, and the rules and bye-laws will be made in with the Co-operative Department. The contracts of work will be allotted to the societies without inviting competitive tenders, but at P.W.D. schedule rates subject to the condition that the rates permit a man of average ability and working for 8 or 9 hours a day to earn a reasonable wage according to his skill. The provincial P.W.D. will make an advance repayable in instalments to the District Engineer to enable the men to start work. Thereafter, fortnightly running payments will be made, the accounts being adjusted once a quarter, or at agreed intervals or on completion of specied items of work. The return to a man for his work will be a total of three payments, *viz.*, a daily basic wage sufficient to cover the cost of food for himself and his family, another daily wage or a piece-rate wage depending upon the nature of the work on which he is employed, and a profit bonus at the end of the year or after the completion of the work, after setting apart specified amounts for an amenities fund and for depreciation on tools and equipment, 90 per cent going to the men and 10 per cent to officers according to the earning of each individual group during the period. It is necessary for the success of the scheme that there should be cordial relationship and whole-hearted co-operation between P.W.D. and the societies and that tolerance should be extended by the former towards the latter. The scheme emphasizes that while what a contractor loses on the swings, he makes up on the roundabouts, the society will have no such balancing factors. Its loss, if any, should be met by the State for a period of time. Apart from this contingent liability, the State should undertake the payment of the salaries of the Provincial Director, District Engineers, Assistant Engineers, Supervisors and their respective staff for a period not exceeding five years. An essential feature of the scheme is the arrangement for the welfare and amenities of the members of the Civil Construction Co-operatives. There will be a Labour Welfare Officer attached to each Provincial Director. He will advise on wage rates and conditions of service, and will be in direct charge of all the men's living requirements, and supply of provisions, and organize recreations, education, games, etc. He will also settle any major disputes between the men and the unit officers, and preside over the men's panchayats to hear and settle minor disputes and grievances.

Observations on the G.H.Q. Scheme.

11. This scheme is not entirely co-operative in character, since it departs from generally accepted co-operative principles in the following important respects. Firstly, although the officers with the status of District Engineers, Assistant Engineers and Supervisors are to be members of the society, they are at the same time subordinates of the provincial P.W.D., working under the direction of the Provincial Director of Civil

Construction Co-operatives, and their salaries are paid by the State. It is appreciated that this arrangement is to be continued only for a period of five years and has been incorporated as being considered necessary in order to launch this new form of society successfully. Nevertheless, we are of the opinion that these officers should be appointed by Government as officers of the Co-operative Department, and for the period that they are so employed, they may act as ex-officio office-bearers in the societies, subject to the control of the elected committees of the societies. They should not take shares in the societies nor should they share in the profits. When these societies have been firmly established (the scheme contemplates this being in five years time) the officers employees of the societies will be paid salaries and bonus by them.

Secondly, the scheme envisages the P.W.D. advancing funds to the District Engineer in charge of the society in order that the latter may be started on the contract which has been allotted. We consider that it should be the society which takes contracts and not the District Engineer and that any advance payment should therefore be made to the society.

Thirdly, the scheme proposes the enrolment of members into the society by Assistant Engineers. Initially, such enrolment will be necessary, particularly when it is intended that the society should consist of ex-servicemen ; but once the society is registered, the admission of fresh members as well as the removal of members should be the responsibility of the society. The officers, appointed as recommended by us, might advise the committee of the society on admission and removal of members.

Fourthly, the scheme provides for a Welfare Officer attached to the Provincial Director and a Welfare Officer in each society. Both are to be paid by the State for the first five years. The former would advise on wage rates and conditions of service, would help to settle major disputes between the men and unit officers and would lay down specifications and arrange for accommodation, provisions and other requirements. The latter would be in direct charge of all welfare arrangements and would also preside over the men's panchayats to settle minor disputes and grievances. We do not consider that this arrangement is sound. The Provincial Welfare Officer should advise co-operative societies on welfare work, but the decision as to what measures are to be undertaken must be that of the committee of each society. Moreover, under the Co-operative Societies Act, disputes should be referred to the Registrar of Co-operative Societies, who may if he wishes refer such disputes to the Welfare Officer for disposal. Society Welfare Officers should be appointed by Government as officers of the Co-operative Department, and should be responsible for executive action in accordance with the decisions of the committees of societies. They should also advise panchayats in the settlement of minor disputes or grievances.

In Madras, the P.W.D. have informed the Registrar of Co-operative Societies of particular items of road work, building constructions, digging of irrigation channels, etc. For each work, the Registrar of Co-operative Societies is organizing a separate labour contract co-operative society composed of ex-military men and ex-military officers. The P.W.D. have also given an undertaking that when a co-operative society organized for a particular item of work has completed the job to satisfaction, it would be given fresh items of work so as to provide employment for all the members of that society. Government have stationed a special co-operative officer in the Military Release Centre at Bangalore and another at Madukarai. He is expected to collect ex-military personnel for the various labour construction co-operatives which are to be organized for undertaking the works indicated by the P.W.D. When a fairly adequate number of ex-military men has been enrolled by him for all the proposed societies, they will be registered under the Co-operative Societies Act. If sufficient number of skilled labourers are not available for any particular work which has been offered by the P.W.D., the society will have to admit as members even civil personnel as otherwise it would be impossible to complete the work and fulfil the contract undertaken But care will be taken that too many civil skilled labourers are not enrolled in the society and that the character of the society which is primarily intended for resettlement of ex-military personnel is not destroyed.

We recommend that the scheme prepared by General Headquarters may be considered by the provinces and states for preparing their own schemes for the organization of Construction Co-operative Societies, particularly for the resettlement of ex-service personnel. G.H.Q. Scheme should be modified as suggested above to make it fully co-operative in character.

Recommendations.

12. (1) The most distressing feature of Indian rural life is the existence of the large mass of landless agricultural labour who subsist on the meagre income they scrape up from their earnings on works connected with agricultural operations or of such casual nature as the construction or maintenance of village roads or small public buildings for use as hospitals, schools and libraries, or digging of wells or excavation of tanks. Their chief weakness arises from lack of organized bargaining power, and this power they can acquire by forming themselves in co-operative societies. Labour co-operatives of agricultural labourers are, therefore, essential for the uplift of this class; they will, incidentally facilitate the execution of works in rural areas which are at present served fitfully. Village life in India presents the strange spectacle, on the one hand, of the large part of the population sunk into poverty and wasting its life for lack of adequate employment, and on the other, of the existence of great tasks of improvement crying for attention. We strongly recommend that the Regional and Area Promotional Agencies proposed in Chapter VII, should undertake the

organization of labour co-operative societies for rural labour, and secure employment by engaging them on village works during those parts of the year when agricultural employment is slack.

(2) The brief survey of the position of labour co-operatives in India shows that their organization is in its infancy, but when reconstruction plans of the provincial and Central governments are put into operation, there will be considerable scope for their accelerated promotion. We recommend that in organizing labour co-operatives for the ordinary labourers, the model of those set up in Italy or New Zealand should be adopted. Labour co-operatives should be generally composed of a small number of men. There is, however, no objection to co-operative societies being organized for a large number of men, but it will be necessary for them to work through small self-contained units. We recommend that the Public Works Department should draw up plans and specification and prepare schedules showing as accurately as possible, the nature and quantities of the work to be executed. Contracts for such work should not be given by tender but by offer to a labour contract society. The schedule of rates should be so prepared as to permit a workman of average ability to earn a reasonable wage or the market rate whichever is higher.

(3) The Government and local bodies should give preference for contracts to labour co-operative societies.

(4) The Public Works Department should also extend some tolerance and pass on unforeseen but necessary additions to expenditure incurred by a society, as it would have done if the work had been executed departmentally. It will also be necessary for them to show tolerance in specification and standard of work in the initial stages.

(5) Ordinarily, contractors balance their losses against profits on other works. In the case of the co-operatives, a loss must be financed by Government, at any rate for a period of time until the co-operatives are finally established.

(6) Materials required for the work should be supplied by co-operatives themselves so far as possible, as this will provide an additional source of profit and employment. When not manufactured by a co-operative employed on a work, materials should preferably be obtained from other co-operatives. This preference should also apply to additional services which may be required.

(7) The Regional and Area Promotional Agencies recommended in the Chapter on Small and Subsidiary Industries, should undertake the organization of labour co-operative societies as the classes of people who will form these two kinds of co-operative societies will be similar. These agencies will, besides organizing the labour societies, discharge the functions of a Federation, until it is set up.

CHAPTER IX
CONSUMERS' CO-OPERATION.

Introductory.

Consumers organize themselves into co-operative societies to obtain their requirements of consumer goods and services on terms of greatest advantage to them and to secure for the small man many of the benefits of large-scale operations. This type of Co-operation undertakes the retailing and wholesaling, and, sometimes, the production and processing, of consumer goods, and seeks to reduce trading costs by making buyers their own sellers. Unlike the producer movement which is concerned with particular classes of people in particular regions, the consumer movement carries an appeal to all persons, as all of them are consumers, and may be regarded as an organization having the whole society for its membership. The movement is of particular interest to women as it enables them to make substantial economies in domestic expenditure.

2. Most consumers' societies have been established on the principles first enunciated by the Rochdale Pioneers. These principles advocate open membership, democratic control, cash trading at market prices, fixed returns on capital and dividends on purchases. Open membership, democratic control and restriction on dividends are the basic ideas which lie at the foundation of all co-operative societies. Cash trading has been adopted to avoid the risk involved in credit dealings, and sales at current market prices guard the society against business losses, protect it from the charge of price-cutting, enable it to build up reserves, and make the payment of dividends on purchases possible. These dividends are the rewards of saving through spending and provide the strongest inducement for membership and sustained loyalty.

Consumers' movement in Europe.

3. The consumer movement has been very popular in Europe. The extent of its enterprise in Europe in 1935 is shown by the following data* :—

	Population.	Membership—consumer co-operative societies.	Number of societies	Trade of consumer distributive societies.	Per cent of total national retail trade.	Production of consumer enterprise.	Trade of centrals wholesales.
	Millions	Millions		Million dollars		Million dollars	Million dollars
Czechoslovakia	14·7	0·8	903	69·2	2·7	8·2	39·4
Denmark ..	3·7	0·3	1,939	63·4	..	11·2	40·3
Finland ..	3·7	0·5	532	73·0	25-30·0	13·6	41·6
France ..	41·2	2·5	2,008	233·5	..	3·1	50·2
Great Britain	46·0	7·4	1,118	1080·5	12·0	354·4	573·1
Norway ..	2·8	0·1	497	31·9	..	4·4	10·1
Sweden ..	6·2	0·5	719	103·7	10·0	26·3	44·8
Switzerland	4·0	0·4	585	94·2	10-12·0	21·4	57·5

* Report of the Inquiry on Co-operative Enterprise in Europe, 1937—page 7.

The main achievements of the consumer co-operative movement in Europe have been :—(1) Reduction in costs of retailing with advantages accruing to consumers, thus making possible more saving and higher standards of living, and contributing to economic stability. (2) Provision of better quality goods. (3) Promotion of thrift and consequent increase in economic security of members. (4) Education in intelligent buying, family budgeting, and general economics. (5) Better citizenship, the result of widely diffused ownership of an important democratic business enterprise. (6) Check on monopoly by co-operative competition and on profiteering.

Consumers' movement in India.

4. Co-operating stores were organized in several parts of India almost as early as the co-operative credit movement. They did not, however, make any great progress until World War I when the need for them was more keenly felt, and they increased in number and importance. The success achieved then was not retained, but World War II has given them a fresh and stronger impetus. Some idea of its expension since 1939 and its present size is conveyed by the following figures :—

Year	Number of consumers' societies in British India.	Membership.	Annual sales (in Rs. lakhs).
1939-40	408	16,431	54·22
1943-44	3,539	6,00,000*	2000·00*

Few rural stores societies have so far been organized, and even in the province of Madras, where the consumer movement is strongest, only 400 rural societies have been established. At present the movement is largely urban. During the present war, the rationing of foodstuffs and economic controls have been directly responsible for the organization of numerous small stores in cities and large towns since Government have recognized them wherever possible as the distributive agency for the peole. The middle and even the upper classes have during the last two years or more been drawn into these organizations. The commodities commonly retailed by urban societies are foodgrains, sugar, charcoal, butter, ghee, cloth, etc., but the range of goods handled by them is widening and has been still more widened by their appointment as licensed sellers of rationed and other controlled commodities.

Constitution and working of a primary society in Madras.

5. In Madas, a primary stores society purchases consumer goods and retails them to members usually at current market prices for cash or against trade deposits. Its operations are generally confined to a town or a village or group of villages, with a provision for opening branches and depots. The financial

* Figures are approximate.

requirements of the societies are met from share capital, deposits (fixed and trade) from members and loans from the co-operative central bank. Borrowings are, however, limited to five times the owned capital. Shares are usually of Rs. 5 and in some cases of Re. 1. They can be held by individuals and also by certain institutions like hostels, devasthanams, etc., but individual shareholding is limited in value to Rs. 1,000. Management vests in an elected board of 5 to 7 directors, executive administration being entrusted to a secretary. Daily business is carried on by a paid staff consisting usually of one manager, one accountant, and a number of salesmen, godown keepers, packers and others. The power to make purchases is given to a purchase sub-committee of 2 or 3 directors. The establishment casts of a society vary from Rs. 91 to Rs. 3,860 per annum. In a store of moderate size employing one manager, one accountant, one salesman and two menials, the annual costs are about Rs. 1,080. The secretary is generally an honorary worker but the society makes a provision in its budget for the payment of an honorarium to him when there is no paid manager. The stores are supervised by a staff employed by Government and by central banks. Each store supervised by the staff of the latter pays to it at 4 annas per Rs. 100 of sales per annum subject to a maximum of Rs. 150 per annum. In some cases they pay at the rate of six annas in order to meet the additional cost incurred by the central banks. The societies are liable to pay audit fees to Government after the third year of their working if their annual sales exceed Rs. 10,000. Out of the net profits, a quarter is carried to the reserves, a dividend limited by statute to 6¼ per cent is distributed and the remainder is paid to the members in proportion to their purchases. As a war-time measure, however, 40 to 50 per cent of the net profits is carried to the general reserve, and 10 to 15 per cent to a business losses reserve, a dividend at a rate of 4 or 5 per cent is distributed and a bonus at the rate of 3 pies per rupee worth of purchases is paid to members. Government employs and pays for a special staff of one Joint Registrar, 23 Sub-Registrars and 20 Senior Inspectors for direction, control and inspection. The cost on this account works out to about Rs. 62-8-4 per society.

Constitution and working of a central society in Madras.

6. A wholesale or central society co-ordinates the purchases of primaries affiliated to it. It purchases stores in bulk, in proper seasons and from the centres of production or marketing. Its funds are derived mainly from the share capital and loans from co-operative central banks. Borrowing is limited to ten times the owned capital. Shares can be held by primary stores societies, other co-operative institutions, public bodies and individuals. The day to day working of a wholesale society is in the hands of paid secretary or manager. Many of these societies have been permitted to sell goods on credit to primaries to the extent of two or three times the share capital invested in the former by the latter.

7. An examination of the working of consumers' societies all over the world shows that where there has been a failure it has been chiefly due to one or more of the following causes :— lack of business training or ability or experience in the store personnel ; want of careful study of members' requirements ; stocking of goods that had only a limited demand because of the varied tastes of a heterogeneous membership ; insufficient loyalty and interest among members ; bad debts arising from credit trading ; too narrow margin between wholesale and retail prices ; defective methods of stock-keeping and accounting ; and disproportionately heavy working costs. In India, in particular, two other important causes of failure have been too much dependence on honorary service and too small a size of the store to secure a competent staff and efficiency in management.

Causes of the failure of consumers' societies.

8. The simplest organization to supply the consumer needs of the rural population will be a separate society for each village or a group of villages. In the present circumstances, however, the needs of the villager are so few and so simple and his standard of living so low that it may not be justifiable to start an independent co-operative stores in each village. We, should, therefore, confine ourselves at present to entrusting this business to village primary societies. We recommend that as many as possible of the satisfactorily working primary societies should undertake stores business. Incidentally, a business like this will increase the membership of and the loyalty to the village society. We are, however, of the opinion that the stores section should be separate from the credit section of the society. We further recommend that, in the beginning, the society should deal only in those commodities which are in daily demand, and that it should purchase its stock after preparing an estimate of demand with reference to established needs for a period of months or preferably after obtaining indents. The funds for purchasing the stock may be obtained from the co-operative central bank. Following the principles of the Rochdale Pioneers, the society should sell its goods for cash or against trade deposits. No credit should be given to non-members, while any credit to members, if at all given, should be of such an amount that, together with credits given for other purposes, it does not exceed his total assessed credit-worthiness. We recommend that there should be no prohibition against sales to non-members as such sales will advertise the benefits, especially of patronage dividends which should be distributed only to members, offered by the societies and thus encourage membership. We also recommend that the society should encourage thrift among members by inducing them to leave dividends with it as deposits or to convert them into shares. Finally, we recommend that it should make constant effort to educate members in utility purchasing, *i.e.*, buying goods that yield the best return for their price. As regards the working cost of a store, we recommend that half of it should be borne by Government for the first five years.

Recommendations : Rural Stores.

Workers' and Employees' Stores.

9. In the case of industrial undertakings and large employers of labour like railways, our recommendation is that the workers and other employees in each of them should have conveniently situated co-operative stores. The Madras Committe on Co-operation, stressing the need for such stores, recommended that Government should make it obligatory on employers to establish and run such stores for their workers. We further recommend that the following features of the societies in Madras should be generally adopted :—(1) Credit trading is backed by the employer's undertaking to recover bills from wages. Often, the employer himself makes trade deposits in the name of the worker, effecting recoveries from wages in easy instalments. (2) The employers supply the society with funds whenever needed so that there is no outside borrowing. These advances carry a low rate of interest, and at times no interest at all. (3) The employers place at the disposal of the society the services free of cost of clerks, stationery, furniture, buildings, godowns, transport vehicle, etc. (4) On certain festive occasions, the employers subsidize sales at or even below cost price.

Consumers' co-operation in urban areas.

10. As regards consumers' co-operation in urban areas, we find that in some provinces such as Madras the movement has successfully established itself by starting with a number of unitary societies and later forming central societies of a federal character. We are agreed that in these provinces this type of organization should continue and we recommend that every endeavour should be made to expand the movement on these lines. In other provinces, it will have to be considered whether the urban consumer movement should be organized on the basis of a number of unitary societies formed in suitable areas, or on the basis of a single large-scale institution set up at a central place in the province with branches in other places. The former system of organization has the following favourable features :—a greater degree of loyalty is ensured in a locally owned society than in a branch of an outside institution ; it is in keeping with the principle of co-operative democracy that the people who patronize a society should also run it ; and, if mutual interest is to prevail among consumers, it is essential that they should be organized into a society worked by themselves. On the other hand, the system of branch organization is supported on the following grounds :—it will be possible for the principal institution to gain the economies of large-scale operations, to maintain a highly paid and expert staff at head-quarters and efficient men at each branch, to pool the resources of different regions and offset the losses sustained in some parts with the profits made in others ; the central institution will also have a stronger bargaining power than smaller isolated units with the wholesale selling agencies.

11. We should emphasize that ultimately the co-operative consumer movement is to be based everywhere on independent societies functioning in each area, and that the difference in organization applies only to the initial stages, the difference

being whether there should be independent units from the start or whether there should be a parent institution having branches, these branches forming the nuclei of future independent societies. While the former system which directly approaches our goal has been successfully adopted in Madras, we recognize that there may be provinces such as Bombay where co-operative organizations are likely to fail unless full advantage is taken of the economies offered by large-scale enterprise. In such cases, we suggest that the organization of consumer co-operatives should start with the establishment of a provincial society having branches spread over suitable regions, with local members and local committees.

12. In provinces where conditions favour the adoption of the system of unitary organization we recommend that a consumers' society on the Rochdale principles should be established in each town, the aim being to have one society for a population of about 5,000. Funds needed by the societies to run their business will be drawn from their share capital and loans from central co-operative banks. As regards the share capital, we find that, in Madras, targets have been fixed at Rs. 10,000 and Rs. 5,000 for average urban and semi-urban societies respectively. In this connexion we recommend that the Co-operative Department should fix targets for various types of stores in accordance with local conditions. In the same way, the Co-operative Department should prescribe limits for borrowing by societies. The Department should encourage the organization of primary urban societies, and we are of the opinion that the State should meet half of the expenditure incurred by these societies on their working for the first five years. For each group of about 50 conveniently situated urban consumers' societies and rural societies dealing in stores, a central society should be organized, to which they should be affiliated and they should purchase a prescribed number of shares. We recommend that the cost of running such a society should be borne to the extent of 50 per cent by the Government for the first five years. To co-ordinate the work of the central societies and also to undertake inter-provincial trade and to collect and disseminate market intelligence such as that regarding production and marketing centres and agencies in the province and outside, a provincial consumers' society should be organized. We recommend that half the cost of its working should be borne by Government for the first five years.

War conditions and the operation of rationing of foodstuffs and economic controls have stimulated the growth of large numbers of small co-operative stores in towns and cities. When normal conditions are re-established, it is likely that a large number of these stores may close down. This the urban population may be deprived of the services of these stores and the profits and reserves accumulated by them may be frittered away. We are of the opinion that in such circumstances an active policy of amalgamation of these stores into a single town

or city store should be pursued so that each town or city store is provided with a large share capital and reserve fund. We understand that in one of the large cities in India there are about 60 such small stores with an average share capital of Rs. 5,000 and equally large reserve and other funds. The amalgamation of these 60 stores would bring into existence a strong city store with a share capital of Rs. 3 lakhs and reserve and other funds of about an equal amount. The city store may use the present small stores as branches till the controls continue ; but when the controls are withdrawn, it may either deal through these branches or convert itself into a unitary store. A large share capital and a large reserve fund to start with offer a golden opportunity for bringing into existence a chain of town stores which can form themselves into a provincial wholesale society and thus strengthen the consumers' movement in provinces where it has not made much headway.

13. In those provinces in which the conditions are such as to require the establishment of a central organization first, we recommend that a provincial consumers' society should be established, which should, as far as possible, combine in itself the functions of the primary, central and provincial societies. As its business is established and its position stabilized it will gradually extend its services to other towns by opening branches. If the latter are ultimately to be converted into independent societies, which is our aim, it is necessary that the parent institution should allow, consistent with efficiency, the patrons of each locality to man a local branch, and when sufficient local interest has been aroused, it should offer to the local patrons the option of converting the local institution into a society of their own.

Linking of consumers' stores and producers' co-operatives.

14. When the producer co-operatives deal in goods which the consumer societies require, it is to their mutual advantage that the two institutions should be linked in a buyer-seller relationship. We, therefore, recommend that the central and provincial consumer societies should purchase their requirements, whenever possible, from producer societies, preferably from those marketing goods in bulk. To ensure fair terms of business and generally to harmonize the interests of producer and consumer societies, we recommend that the Provincial Co-operative Council should constitute a Provincial Advisory Committee and similar committees for suitable regions, to settle amicably questions relating to prices and other terms of sale in case of disagreement. The Provincial Committee should consist of the Registrar of Co-operative Societies as chairman, one representative of the provincial consumers' society, one representative of the Regional Promotional Agencies and one representative of the provincial marketing society. A Regional Committee should consist of a representative of the Registrar of Co-operative Societies to act as chairman, and one representative of the central consumer society, one representative of the marketing

societies in the region and one representative of the Regional Promotional Agencies.

15. In Chapter IV we have suggested that the task of supplying milk to the urban consumers could be shared between producers' milk unions and consumers' societies, the former collecting milk from villages and transporting it to towns and the latter purchasing and retailing it to consumers. We recommend that, in all towns in which milk unions are established, consumers' milk distributing societies also should be established. One of the factors on which the successful working of the latter will depend is that they should have a large membership. In order to have a large and growing membership, it is not necessary that the sale of milk should be restricted to members as, in our opinion, the dividend on purchase offered by the society to its members should provide a sufficiently strong incentive to consumers to join the society in large numbers. **Consumers' milk distributing societies.**

The daily milk requirements of the consumers' society should be supplied by the producers' union on the basis of a contract fixing the minimum and maximum quantities of milk that the latter is to supply daily to the former, the quality and price of the product, the time of delivery, etc. As the milk supplied by the union will be raw, the consumers' society should arrange for its pasteurization before distribution. The society will also need equipment to process any milk that remains unsold. The cost of these capital investments will be large and will be reflected in such high prices for milk as to be beyond the means of an ordinary consumer. Current public opinion is in favour of lowering milk prices in order to bring them within the means of the largest possible number of people. We, therefore, recommend that the State should meet the entire capital expenditure on these plants.

Arrangements for distributing milk may take the form of door-to-door delivery or sales at convenient centres in each locality, or both, the arrangements being decided by the members of the society after taking the local conditions into account.

16. Ex-service personnel employed in R.I.A.S.C., Detail Issue Depots, Officers Shops, etc., have specialized in handling, transporting, warehousing, distributing and selling a large variety of goods, and will be very useful in organizing and managing consumers' co-operatives. **Ex-servicemen and consumers' co-operatives.**

17 A. PRIMARY SOCIETIES **Estimates.**

Number	10,000 ..	as there are at present efficient primary societies, *i.e.*, those classified as belonging to A & B audit groups.	10,000

Establishment : Secretary @ Rs. 20 p.m.
or Rs. 240 p.a.

Total for 10,000 stores = Rs. 24,00,000

Out of the total expenditure, half should be paid by the Government during the first five years.

Note :—This estimate is for the first five years. Half the cost of new primary societies undertaking stores business should be borne by Government in subsequent years.

B. URBAN SOCIETIES

These will be organized only in those provinces which favour organization from the bottom upwards and hence the number of societies to be formed cannot be determined. The approximate cost per society is given below :—

Establishment : 1 Secretary-Accountant @ Rs. 60 p.m.
2 Salesmen @ Rs. 35 p.m. each Rs. 70 p.m.

Rs. 130 p.m.
or Rs. 1,560 p.a.

Out of the total expenditure, half should be paid by the Government during the first five years.

C. CENTRAL SOCIETIES

These will be established only in those provinces where urban societies are formed and hence the number of societies to be established cannot be determined. The cost per society is given below :—

Establishment : 1 Manager @ Rs. 250 p.m.
1 Accountant@ Rs. 100 p.m.

Rs. 350 p.m.
or Rs. 4,200 p.a.

Out of the total expenditure, half should be paid by the Government during the first five years.

D. PROVINCIAL SOCIETIES

Number 11
Establishment : 1 Manager @ Rs. 500 p.m.
1 Accountant @ Rs. 150 p.m.
1 Junior Accountant@Rs. 100 p.m.

Rs. 750 p.m.
or Rs. 9,000 p.a.

Total for 11 societies=Rs. 99,000 p.a.

Out of the total expenditure, half should be paid by the Government during the first five years.

E. GODOWNS

Each central society is to be provided with a godown costing about Rs. 20,000 and each provincial society with a godown costing about Rs. 50,000. This cost should be met entirely by the Government as a free grant.

F. CONSUMERS' MILK DISTRIBUTING SOCIETIES

An average consumers' milk distributing society will incur a capital expenditure of about Rs. 1½ lakhs on pasteurizing and processing plants and transport vehicles. This cost should be borne entirely by the Government.

G. DEPARTMENTAL STAFF

No special departmental staff will be needed for rural consumer co-operatives, as these co-operatives will be sections of existing primary societies for which staff has been provided in Chapter III.

(*i*) An officer of class I in each province in charge of urban stores @ Rs. 888 p.m.

or Rs. 10,656 p.a.

(*ii*) One auditor for every ten urban societies, to audit, inspect and supervise them :—

1 Auditor	Rs. 150 p.m.
	or Rs. 1,800 p.a.

(*iii*) One audit party for every five central societies to audit, inspect and supervise them, each party consisting of :—

1 Auditor	Rs. 250 p.m.
1 Assistant Auditor	Rs. 75 p.m.
	Rs. 325 p.m.
	or Rs. 3,900 p.a.

CHAPTER X

URBAN CREDIT.

Urban banks.

Of the 2,703 towns* in India hardly 40 per cent are served by joint stock banks. Joint stock banks are not interested in developing the business of small loans, because the cost of advancing and recovering them is high. Further, as joint stock banks are not likely to have under ordinary circumstances full and intimate knowledge of the standing and resources of persons of moderate means, they will not advance loans on personal security. On the other hand, there are, in urban areas numerous person of small means, like traders and merchants, artisans, factory workers, street hawkers, motor and gharry drivers who resort to money-lenders and similar agencies for small loans and obtain them at high rates of interest. Ex-servicemen like technicians, and skilled workmen like carpenters, black-smiths, mechanics, etc., will also require credit for setting up their own business in small workshops. Co-operative urban banks qualify by establishing personal and intimate relationship with people of this class as the most suitable agencies for serving their credit needs.

2. Urban banking on co-operative lines has made good progress in Bombay and Madras which have 79 and 204 urban banks† respectively. In other parts of India, it is either practically non-existent or has made small progress. The urban banks in Bombay and Madras have been organized on the Luzzatti model of Italy, with the liability of members limited to the value of shares. Besides raising the funds by issue of shares, they accept different types of deposits such as savings, current, fixed, recurring‡, etc. In case of need, they borrow from central or provincial co-operative banks. Besides granting loans on personal security, they make advances on

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* Census Report—1941 (1,724 towns in British India and 979 towns in Indian states).

† In Bombay and Sind, urban credit societies having paid up share capital of Rs. 20,000 and over and doing banking business are known as urban banks. In Madras, urban credit societies accepting deposits on current account and maintaining fluid resources according to the standards prescribed by the Registrar are called urban banks. In many provinces this term is used for credit societies working in urban areas irrespective of the size of the share capital or the nature of deposits accepted by them.

‡ A recurring deposit is a deposit made by a person who undertakes to pay to the society every month a fixed amount for a certain period at the end of which the amount of deposit together with interest is paid to the depositor. A preferential rate of interest is paid on such deposits in view of the element of thrift involved in such deposits.

the security of agricultural produce, merchandise, life insurance policies, Government securities, etc. They provide other banking facilities also by, for example, the issue of drafts, hundies, etc., and collection of cheques, hundies drafts, bills, dividend warrants, etc. These banks which are run efficiently have succeeded in some measure in inculcating habits of thrift among people of small means and making available to them funds at low rates of interest.

3. It has been brought to our notice that in Bombay there has been a demand on the part of some well developed co-operative urban banks to convert themselves into joint stock concerns. We do not consider the demands reasonable. A co-operative institution is formed on principles quite different from those which govern a joint stock concern ; the former aims at rendering service to its members at the cheapest possible cost consistent with soundness and solvency while the latter aims at profit for its shareholders. This is why co-operative banks enjoy a number of concessions from the State which contribute in no small measure to the development of their business and the building up of their reserves. It would be an abuse of co-operative effort if an institution nursed by it were allowed to convert itself into a capitalistic concern. Moreover, an urban co-operative bank is brought into being mainly to serve the small and the middle class men and if it is converted into a joint stock bank, these very people are likely to be neglected. We notice that urban banking has made good progress in some parts of the country, particularly in Bombay where the banks are on the whole well-managed. The general policy of increased participation of non-officials in the movement can, therefore, be implemented in such areas to a larger extent. We recommend that some of the powers now exercised by the Registrar, such as those of inspection and supervision, framing of rules under the provision of the Act for investment of funds, and determination of credit limits can be delegated to a federation of such institutions. The Registrar must, however, in order to fulfil his statutory obligation be placed in a position to revise the action of the federation either on his own initiative or on a representation made to him.

Recommendations.

4. We recommend that :—

(i) in view of the usefulness of urban banks to people of small means, they should be organized in all towns. It should, however, be ensured that they function on proper co-operative lines. When they receive deposits on current account, they should

(a) have a paid up share capital of at least Rs. 20,000 ;

(b) maintain fluid resources on the scale prescribed by the Registrar of Co-operative Societies ;

(c) carry to the reserve fund at least one-third of their net profits till it equals the paid up share capital and thereafter at least one-fourth of the net profits. The reserve fund should be invested in gilt-edged securities or deposited in banks approved by the Registrar and should not be used in the business of the bank ;

(ii) Cheques drawn in payment of taxes on urban banks approved by the Registrar should be accepted by Government Treasuries ;

(iii) Urban banks approved by the Registrar should be allowed to collect salary, provident fund and pensions, a list of such banks being supplied to the Treasuries concerned ;

(iv) Though we are against the proposal of allowing co-operative banks to change their form into joint stock banks, Government should delegate some of the powers exercised by the Registrar to a non-official federation of urban banks particularly in those provinces where urban banking has made good progress and the banks are well managed. The Registrar must, however, in order to fulfil his statutory obligation be placed in a position to revise the action of the federation either on his own initiative or on a representation made to him.

Employees' Societies.

5. Persons working in Government offices, railways, post and telegraph offices and commercial firms also stand in need of being organized for the purpose of thrift, saving and financial accommodation.

6. Salary earners' or employees' societies have been organized in most of the provinces. They have made good progress in Madras, Bombay, the United Provinces, Bengal, Bihar and the Punjab. Some of the societies particularly those organized for employees of railways, post and telegraph offices, port trusts and municipalities have large working capital. They advance loans to their members at a moderate rate of interest and the limit of individual loans is usually fixed at a certain multiple of the monthly salary of the member. They encourage habits of thrift among their members by adopting a system of compulsory deposits. Some of them spend a portion of their profits for the welfare of the staff.

7. The success of these societies has been due to their members being better educated and better able, therefore, to supply efficient managerial staff and also to the facility of recovery of their dues in instalments from the monthly salary of the members.

Recommendations.

8. (1) We recommend that all offices employing fifty persons or more should organize employees' co-operative societies.

(2) With a view to overcoming the difficulties created by the amendment to the Civil Procedure Code raising the

non-attachable limit of salary from Rs. 20 to Rs. 100 we recommend that the Co-operative Societies Acts should be amended on the lines of the amendment made in Bombay and Sind whereby if a member executes an agreement in favour of the society authorizing his employer to make deductions from his salary towards payment of the debts or other demands owing to the society, the employer is bound to make such deductions till the loan is fully repaid or the demand of the society satisfied.*

(5) Where separate societies for menials or low paid employees are organized, the employers should assist such societies, by making available staff for their management and by grant of interest-free loans.

Factory Workers' Societies.

9. The Royal Commission on Labour in India, 1931, reported that among the causes responsible for the low standard of living of the worker indebtedness occupied a high place. They further stated that it was estimated that in most of the industrial centres, the proportion of the families or individuals who were in debt was not less than two-thirds of the whole. They believed that debt was the principal obstacle to efficiency because it destroyed the incentive to effort. Inquiries conducted by the Department of Industries, Madras, during 1937-38 into family budgets of factory workers in Madras City also showed that about 90 per cent of them were in debt and that the average amount spent on repayment of debts each month amounted to 13 per cent of their average income. In foreign countries large-scale organization of friendly societies, consumers' stores and building societies have in a large measure met the various requirements of the labour class.

10. Factory workers' societies have been organized in Bombay and Madras. In Bombay there are 137 societies for factory workers. They are mostly credit societies, but some of them run shops for supplying foodstuffs and other requirements of their members also. In Madras there are 70 societies of which 61 are doing store business also, 7 credit societies and 2 housing societies. The progress made by factory workers' societies in other provinces is insignificant.

Recommendations.

11. (1) We recommend that, though credit societies do not provide a complete solution of the problem of indebtedness,

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* Section 24-A of the Bombay Co-operative Societies Act, 1925, as amended by Act No. XXIX of 1942 is as under :

(1) A member of a society may execute an agreement in favour of the society providing that his employer shall be competent to deduct from the salary or wages payable to him by the employer such amount, as may be specified in the agreement and to pay the amount so deducted to the society in satisfaction of any debt or other demand owing by the member to the society.

(2) On the execution of such agreement the employer shall if so required by the society by a requisition in writing and so long as such debt or demand or any part of it remains unpaid make the deduction in accordance with the agreement and pay the amount so deducted to the society.

they should be organized in every mill or factory for providing the credit needs of its workers and also for promoting habits of thrift. We have recommended in Chapter IX the organization of consumers' co-operatives for factory workers.

(2) We recommend that these societies should be assisted by the employers (i) by supplying the necessary staff for their management, (ii) by contributing towards their expenses, (iii) by giving loans free of interest or at a low rate of interest, and (iv) by recovering the amount due to the society from the wages and salaries of the employees.

(3) We recommend that the Registrar of Co-operative Societies should work in close co-operation with the Labour Officer in organizing societies for promoting the welfare of the workers.

CHAPTER XI

HOUSING, HEALTH AND BETTER LIVING.

Housing : Introductory.

Considerable interest has been aroused in recent years in the problem of town planning all over India and a large number of cities and towns will have town planning schemes as part of the post-war development plans. On account of its various advantages, housing on a co-operative basis can well claim to be accorded a prominent place in these schemes of town planning.

Special features of the problem of housing in India.

2. The following special features of the problem of housing in India emphasize the need for co-operative organization for this purpose. In the first place, housing co-operative societies will render an invaluable service at present when there is a scarcity of houses in India, owing to the interruption of building operations during the war, and a scramble for building materials to satisfy the long pent up demand. Secondly, building operations are costly and involve the use of a great variety of materials supplied by a large number of middlemen. Every individual cannot meet this high cost all at once, nor can he supervise the construction and avoid the middlemen's charges. He can, however, avoid these disadvantages by associating with other individuals and forming a co-operative society. Thirdly, in the elaboration and the execution of a scheme of town planning, the town planning authority has to deal with a large number of individuals interested in building houses. Its work will be greatly facilitated if these individuals form themselves into groups with which it can deal. Fourthly, houses for lower income families are rarely built to order, and when they are built for purely commercial purposes, very little trouble is generally taken to discover and satisfy the real needs of the prospective occupiers. The building industry run on ordinary commercial lines, is too often concerned less with providing convenient and pleasant houses to meet the needs of family life than with providing a marketable commodity.

Advantages of co-operative housing.

3. In any housing scheme, co-operative effort has an advantage over private enterprise because it is primarily concerned with the interests of its members. It can ascertain the kind of houses the members want to build, and bring about cordial relations between the members as tenants and the members as landlords in their corporate capacity. It can give to its member, freedom from the landlord's arbitrary interference and can arrange to share the responsibility and risk of ownership with its members.

4. Co-operative housing societies are generally of two main types, (i) tenants' co-operative societies, which build or purchase houses for sale or lease to their members, and (ii) building (or building and loan) societies, which facilitate the acquisition of houses through the grant of loans made on mortgage security.

Tenants' Co-operative Societies.

5. Tenants' co-operative societies build or purchase apartment or family houses for their members. The members pay a small entrance fee and also subscribe for one or more shares, for which they pay in instalments. In addition to the funds so raised, the working capital of the societies principally consists of deposits from members and others and loans raised by the issue of bonds and on the security of mortgages. The member tenants pay either a rent or an amortisation of the purchase price in cases where they want to become owner of their houses. The housing co-operatives meet all their charges from income thus received and if there is a surplus profit at the end of the year, they distribute it to the members in proportion to the rent or amortisation charge paid by each.

Building Societies.

6. Building (or building and loan) societies are specialized co-operative credit societies. Their funds are derived chiefly from (i) share capital and (ii) deposits by members and non-members. Each member of the society must subscribe and pay in full for shares or make deposits up to a certain proportion (generally 7 to 8 per cent) of the estimated cost of the house he wishes to purchase or have built. Mortgage loans are made to members up to 75 or 80 per cent of the value of the building, repayable over a period of years—from 5 to 16 and sometimes even 20. These societies are numerically more important than tenants' co-operative societies, but are found in a smaller number of countries.

Co-operative housing in foreign countries.
A. Tenants' Co-operative Societies.

7. Outstanding examples of such societies are to be found on the American Continent, one of the largest groups of co-operative apartments in the world being that of the Amalgamated Housing Corporation in the United States. The nucleus of this Corporation was formed in 1926 by a group of members of the Amalgamated Clothing Workers. The enterprise has steadily grown until to-day it embodies a total outlay of $3,500,000 and provides accommodation for more than six hundred families. In Argentina, the *ElHogar Obrero,* the big housing and consumers' co-operative society of Buenos Aires, started with the construction of 310 individual houses for its members and has built some large apartment houses also.

8. The tenants' societies are, however, most numerous in Europe where they arose out of the conditions created by the war of 1914-18. They were formed in about 20 countries and reached an important position in Germany (3,630 societies with about 680,000 members), Austria (289 societies with about 38,000 members), Great Britain (350 societies with some 40,000 members), Italy (900 societies with about 71,000 members), the

Netherlands (414 societies), Poland (330 societies with 23,000 members), Sweden (1,000 societies with 40,000 members), Switzerland (250 societies) and Czechoslovakia (1,340 societies with 79,000 members).

9. The societies in the Netherlands and Sweden have certain special features. In the Netherlands, nearly one-fifth of the buildings erected in the years immediately preceding the recent war were the result of co-operative endeavour. There were, at the end of 1937, 414 housing societies grouped in a federation which was established in 1913. The largest of them was the General Housing Co-operative Society of Amsterdam with a membership of about 8,000 consisting mainly of workers and small salaried employees, and with nearly 3,000 flats under its management. The housing situation, during and immediately after the World War of 1914 was acute in Amsterdam. The society obtained loans and, for a while a subsidy (to equalize rents) from the Government. The loans were restricted and the subsidy withdrawn except in special circumstances, when the situation eased. The finance required for building houses was generally obtained from insurance companies and trade union pension funds, under a municipal guarantee. Loans were redeemed by means of annuities payable over a period of 50 years. Highly qualified architects were employed by the society. Its building schemes, which had to conform to town planning regulations, were supervised by the municipality.

10. Co-operative housing has achieved remarkable success in Sweden also. By 1922, the tenants' societies had become numerous enough to form a federation, the Tenants' National Union. A number of tenants' savings banks and housing societies also were established in several cities. In 1926, these societies federated into a national union which in 1936 comprised 69 local societies with more than 17,000 members drawn from various social classes, the majority being craftsmen, manual workers and clerks. The national union maintains an architect's office and a purchasing centre for building materials, and has even undertaken the manufacture of certain materials itself.

B. Building (or Building and Loan) Societies.

11. These are important in the English-speaking countries and also in Bulgaria, Germany and Switzerland. Out of the 3,666,014, new houses built in England and Wales between 1st January, 1919, and 31st March, 1938, 2,000,000 were financed by the building societies. These 2,000,000 houses provided accommodation to 10 million persons mostly of limited means. In 1940, there were in Great Britain, 952 building societies, whose combined assets totalled £756,000,000. In the U.S.A. there were in 1939, 8,957 societies with a total membership of 6,000,000 and total assets of $5,600,000,000 on the 31st December in that year.

12. Mention may also be made of the Reconstruction Co-operatives in France which re-built houses after the war of

1914-18. After some preliminary attempts made in 1918, co-operatives of this type really began to develop in February, 1919. They rapidly spread and by 1st January, 1924, there were 2,311 of them with an aggregate membership of 168,266. They undertook building activities in 2,716 out of 4,434 communes destroyed or damaged in the French battle-field area.

Housing societies in India—present position.

13. Housing societies established on co-operative lines have been organized in certain provinces of India also but their activities have been confined to urban areas.

Madras.

14. The housing societies in Madras are of the individual ownership type. They borrow money from the Government and advance loans for the construction of new dwelling houses, the loans being repayable in 20 years. The loans to societies are limited to four times their paid up capital and are a first charge on their assets. The interest charged on these loans is 4¼ per cent. Care is taken to disburse the loans in instalments keeping in step with the progress in the construction of houses.

The societies issue loans to their members up to five times the latter's paid up share capital subject to a maximum of Rs. 10,000 in the Madras City and Rs. 7,500 in the mofussil. The interest charged is ½ per cent to 1 per cent above that paid on the loans taken from the Government. The buildings erected out of the loans from Government are inspected free of cost by a Government engineer during construction and valued immediately on completion. The houses are inspected every year by the officers of the Co-operative Department. The number of societies in Madras at the end of 1943-44 was 114, with a membership of 4,308 and a paid up share capital of Rs. 7,63,244. Loans due to the Government amounted to Rs. 11,51,984.

Bombay.

15. The housing societies in Bombay, which number 114, conform to one or other of the following types: (a) co-partnership tenancy; (b) tenant-ownership and (c) the mixed type which is a combination of both co-partnership and tenant-ownership. Of the 114 societies, 101 are working on the tenant-ownership system and 10 on the co-partnership tenancy system the remaining 3 being of the mixed type.

A society organized on the co-partnership basis, owns land and builds houses in which a member is allotted a tenement or tenements according to his requirements. The members contribute out of their own resources in the form of shares at least one-fourth of the total cost of site and buildings, the remaining cost being met by way of loan from Government or a financing agency. Tenants are charged monthly rent so calculated as to cover the general charges of the society and leave a balance for meeting instalments towards the repayment of the borrowed capital. When the whole borrowed capital is repaid, shares up to the value of the borrowed capital are issued to the members in proportion to the rent paid by each.

In societies working on the tenant-ownership basis, separate houses are built to suit the taste and requirements of an individual tenant member. The member holds his tenement from the societies as a lease-holder and the lease contains strict conditions against sub-letting or transfer. The lease-holder may pay the full cost of the house on occupation or he may pay by instalments as the co-partnership tenant does. After a member has paid the full value of the house, he obtains a lease from the society on a nominal rent. The lease contains restrictions as regards assignment, sub-letting or parting with the property without the written consent of the society.

16. There are 22 housing societies in Sind working on the tenant ownership basis. Almost all of them have completed the construction of tenements for their members and have nearly repaid their loans. The membership of the societies is 2,917 ; share capital is Rs. 4,23,462. Besides these, 23 house reconstruction societies were registered in the Hyderabad District in 1929, when, due to the heavy floods, most of the houses in the Lar division of the Hyderabad District, collapsed. These societies were started for the purpose of giving loans to their members for having their houses repaired or rebuilt. They have now completed their work and exist only for the purpose of recovering the loans advanced to the members. **Sind.**

17. There are 31 housing societies which advance loans to members for the construction of houses. The society purchases the land and distributes it among the members, keeping apart some portion for the common needs of members. Restrictions are imposed on sub-letting. After the repayment of the advance, the member becomes the absolute owner of the house, subject to the restrictions on transfers imposed by the by-laws. **United Provinces.**

18. (i) In all schemes of town planning which may be under preparation or consideration, a definite place should be given to co-operative housing. We recommend that whenever town planning schemes are undertaken certain areas should be reserved for people belonging to low or middle income groups grouped into co-operative housing societies. **Recommendations : A. Urban housing.**

(ii) Whenever the Government, municipalities, improvement trusts and similar bodies have at their disposal lands to sell or lease for long terms, for the construction of houses, they should give them, preferably co-operative housing societies at favourable rates. The present policy of selling the land by auction to the highest bidder forces up prices and contributes to high rents to the detriment of poor and middle class people.

(iii) We recommend that the Provincial Co-operative Council should organize when it considers that conditions are favourable, a Central Co-operative Housing Society in each province. The main function of such a society will be to grant long term loans to housing societies mainly for the purchase of house sites and for the construction of houses. It may also purchase

building materials on a large scale from wholesalers and supply them at reasonable rates to the housing societies. The Central Housing Society will be able to attract cheap capital and command sufficient funds to discharge the functions mentioned above if the Government guarantee its debentures.

(iv) The finance required by the housing societies should be supplied on easy terms by the State or by insurance companies, preferably co-operative insurance societies, or in special cases, by land mortgage banks.

(v) Although the value of the entire property owned by a housing society may be large, the share of each individual member in it is small. If in levying taxes on a housing society the principle of progression is followed, it will operate to the detriment of the individual member who will be called upon to pay a rate much higher than what he would have to pay, if the rate were based on the value of his individual property. We recommend, therefore, that the taxes levied on a housing society should be so calculated as to make full allowance for the fact.

(vi) The co-operative housing society should, as far as possible, engage the services of labour contract societies in its building operations.

(vii) A co-operative society of tenants may be formed and may undertake to collect rents from the members who occupy tenements particularly tenements belonging to the Government or public bodies. Where the landlord is Government or a public body, arrangements may be made for the purchase of the property by the co-operative society.

(viii) Labour construction co-operatives should undertake the preparation and supply of bricks and other materials and the construction of houses. Ex-servicemen with training in leardership should also organize Community Welfare Centres on these housing estates, containing facilities for recreation, reading rooms, etc.

8. Rural housing.

19. Many of the existing houses in most villages of the country are flimsy, ill-ventilated, insanitary and unhygienic ; their floors are damp, the roofs leak and the accommodation is insufficient. Rural housing is, indeed, a serious problem in India, and the standard of housing is so low that even small improvements to the existing houses will be greatly welcome.

Madras is making two interesting experiments in solving the problem of housing ; one of them deals with a rural and the other with a semi-urban area. The former relates to Yemmiganur in Bellary District. Yemmiganur has the biggest weavers' co-operative society in the province consisting of 1,268 members working on 900 looms. The society has built up reserves to the extent of Rs. 1,33,124. It has taken advantage of its financial strength to improve the housing conditions of

its members. It proposes to acquire 62 acres of land on the outskirts of the village. On this land, houses and common buildings will be constructed on town planning lines. In the middle of the plot, it is proposed to construct a common hall flanked by an office room of the society, a dye-house, and three store rooms for stocking yarn, handloom products and spare parts of handlooms. This central building will be surrounded by a road alongside of which will be rows of houses, each house consisting of a verandah, a sitting room, a bedroom, a kitchen and a lavatory. Each house will be surrounded by a little kitchen-garden. The weavers are expected to instal their looms in the common hall and utilize their respective houses only for purposes of dwelling. It has been estimated that the site will excluding the value of the site. The society has approached cost Rs. 25,000. It will be purchased by the society out of its own funds. Each house has been estimated to cost Rs. 1,250 Government for a loan of one lakh of rupees free of interest. With this loan and its own funds, the society proposes to put up 200 houses costing Rs. 2,50,000. Such of the members as desire to purchase the houses will be required to pay an initial instalment of Rs. 250 for each house. Thereafter, they will pay an instalment of Rs. 50 per annum for twenty years. The society will repay the Government loan out of the instalments collected from the members. Government have accepted the principle of the scheme, and are expected to sanction the loan required.

The second attempt at Madras has already borne fruit. It is the case of the Co-operative Housing Society at Harveypatti, a village five miles away from Madura. This scheme is the result of the initiative and enterprise of the management of the Harvey Mills. With a view to providing dwelling houses for their labourers, the Harvey Mills acquired at Harveypatti 67.97 acres of land at a cost of Rs. 19,015 and have constructed 396 houses at a cost of Rs. 2,23,687. The cost works out at the rate of Rs. 565 per house. A co-operative society has been formed of the labourers of the mills, who propose to purchase these houses. The cost of each house and the site on which it is situated has been worked out at Rs. 600. Each worker is required to pay this amount in easy instalments of Rs. 4 a month for a period of 12½ years. After full payment, he will become complete owner of the house except for the fact that no alienation can be made without the consent of the society.

The main problem of rural housing appears to be one of finance. It can be tackled co-operatively on a large scale only after the standard of income of the rural population has risen, and even then considerable State assistance will be necessary. Besides, before elaborate plans of rural housing are undertaken, the State should provide in the rural areas such amenities as communications, water supply and drainage.

A modest beginning in dealing with rural housing can, however, be made even in the present circumstances. The cost of building a house appears to be too large for a villager to afford, but actually a large part of it is made up of labour charges, and if the villager and his family contribute their labour in the construction of their house, it can be considerably reduced. We understand that the Public Works Department in the Punjab have been making experiments with various types of local materials which could be used in the building of rural houses, and have prepared estimates of cost on the basis of current prices. They have also evolved a new material, namely, compressed mud, which is as strong as ordinary brick and can be manufactured cheaply. They have estimated that a house with a room, a kitchen and a verandah will cost about Rs. 800 and every additional room about Rs. 300. More than half of the estimated cost is on account of labour, and of the remaining half, a good deal is on account of locally available material. It would thus appear that if the villagers offered to provide their own labour and if local materials were used, the cost of a one-room house may be as low as Rs. 150. The cost would be very much lower for effecting improvements to the existing houses. In order that the villager may use his own and his family's labour, it will be necessary to arrange for the construction or improvement of his house in the off-season when he has usually little to do.

A co-operative housing society may be organized for a group of villages selected by the Provincial Co-operative Council, or housing may be undertaken by the multi-purpose co-operative society operating in those villages. After their construction, the houses may be taken over by the society, which will be responsible for the collection of rent from the occupier members. An option may be given to the occupier members to purchase their houses at a value determined with reference to the local market rates and payments may be made under the hire-purchase system over a period of 20 to 30 years.

The rural housing programme will have a better chance of success if it is linked up with the labour co-operatives, the establishment of which we have recommended in Chapter VIII. If our recommendations made in that Chapter are carried out, there will be in a group of villages a labour co-operative prepared to undertake the construction of new and the improvement of existing houses, roads and other rural public works. Wherever co-operative labour contract societies have been organized, with or without ex-service personnel, Government should entrust to them schemes for house building on a contract basis.

As regards rural housing for ex-servicemen returning to their villages, the primary multi-purpose societies should arrange for the necessary sites, for timber at concessional rates from neighbouring forests, for digging drinking-water wells

with grants from Government or local bodies, and for help in preparing bricks and lime by co-operative labour of the members, laying roads and drains, purchasing in bulk and distribution of roofing tiles, rafters, cement, iron bars, etc. Where there is a sufficient number of ex-servicemen and others in a village or group of villages desiring to build new houses, it is recommended that separate rural housing societies should be formed. In all new areas which are colonized, the Government should insist that houses should be built there according to certain standard plans and should give the necessary financial and other assistance.

We recommend that the Provincial Co-operative Council should examine as soon as it is established and from time to time the feasibility of providing rural houses on a co-operative basis. The problem of rural housing should be looked upon not only from the point of view of providing houses to the rural population, but also of relieving unemployment.

Health and Medical Co-operatives : Introductory.

20. Provision of medical service, improvement of sanitation, control of epidemic diseases and the undertaking of other similar measures for improving the health of the population are primarily the duty of the State, and this is one of the important sectors of national life the problems of which cannot be adequately solved by the Co-operative movement. The Government of India have already appointed a Health Survey and Development Committee for preparing a comprehensive health programme. It may, however, be long before a complete State medical service is available to the people for the prevention and treatment of diseases. Voluntary effort organized on co-operative lines can, we believe, play a useful part, in the meanwhile, in the furtherance of these objects and in supplementing State effort in these directions.

21. The needs for health and medical services in rural and urban areas differ widely. In rural areas, there is a lack of hospitals, dispensaries, doctors and cheap drugs ; sanitation receives scant attention ; and there is an abundance of pools and swamps providing breeding ground for mosquitoes and various bacteria, while pure water for domestic use is scarce. In urban areas, on the other hand, medical facilities are to some extent available through dispensaries, hospitals and private medical practitioners, but they are inadequate and there is need for supplementing on a larger scale the existing State and individual effort.

Health and Medical Co-operatives in foreign countries.

22. In some foreign countries, health co-operative societies are making an important contribution to the welfare of the rural population. Such societies have grown, for instance, in Yugoslavia, where in 1937 there were 171 societies, with 110,981 members, affiliated to a special federation, the Union of Co-operative Sanitary Societies. These co-operatives arrange for a doctor, a pharmacy and a small hospital to serve a local

area, give valuable aid in combating disease by means of vaccination and other preventive measures and, through their youth and women's sections, undertake activities for the betterment of health, hygiene and general rural conditions. In U.S.A. "voluntary prepayment plans are making a worthwhile contribution to health security and have important potentialities. Beginning in 1932 hospital service plans have developed to the point where there are seventy-eight of such plans in the United States, with an enrolment of over 16,000,000 persons.
.....
At the present time in three states over 30 per cent of the population of the state is enrolled and in seven states between 20 and 30 per cent of the population are enrolled."* In these hospitals plans small regular payments of from $8 to $10 a year per person or $18 to $24 per year per family ensure that the cost incurred in the hospital by a subscriber is covered. Besides, there are in operation nineteen medical service plans sponsored by local and state medical societies, with a total enrolment of over 1,800,000. These medical service plans, which are separate and distinct from the hospital plans, are so far limited to surgical and obstetric service, and, when these are not provided by the hospital plan, to X-Ray, laboratory and anæsthesia service in connexion with hospital cases. The proper actuarial basis for these limited services has been established or is being rapidly established. For example, in the Michigan Medical Service, for the prepayment of slightly less than 50 cents a week per family, surgical and obstetric care is made available to 773,000 people.

23. The Peckham Experiment in England, on the other hand, affords an example of successful self-help for the preservation of health and early diagnosis of disease. In the beginning, it has been supported by the Halley Stewart Research Trust, but it is intended that ultimately it will be self-supporting. Membership subscription to the pioneer Health Centre conducted for this experiment is 1*sh.* a week per family, entitling all children under 16, or still at school, to free use of all equipment, and adults to use of each facility at a small charge, the facilities available being such items of recreation as swimming pool, billiards, gymnasium, etc. All children of member-families, over 16 and not still at school, pay an individual subscription of 6 *d.* a week, and are also entitled to use all equipment for a small charge. It has been estimated that the cost of family overhaul followed by family consultation works out at 1*sh.* 1*d.* per family per week with a membership of 1000 families. The most important features of the scheme are: (1) the unit for treatment and for progress is not the individual but the family, (2) health service is continuous over

* The Co-ordination of Medical and Blue Cross Plans—Louis S. Reed, Ph.D. and Henry F. Vaughan Jr., A.B. From the Division of Public Health Methods, U. S. Public Health Service. Ref. the Journal of the American Medical Association—May 5, 1945, p. 22.

a term of years, and extends from pre-natal care onwards to the child, the youngster and the adult, (3) it provides continuous overhaul of health and various types of consultative service, *e.g.*, (a) periodic overhaul, (b) re-overhaul on discharge from medical care, (c) ante-natal care, (d) post-natal care, (e) infant care and (f) immunization against infectious diseases, and (4) it provides for social club life. The members of the centre include a number drawn from trades and professions—engineers, mechanics, clerks, carpenters, painters, independent tradesmen, employers of labour, civil servants, municipal officers, etc.*

Health and Medical Co-operatives in India.

24. In India, there are at present 1169 medical, anti-malarial and health co-operative societies, of which 1052 are in Bengal and 106 in the Punjab. Most of these societies are weak in finances and are unable to work without State help. The objects of a health co-operative society are to improve the health of members and their dependants, to arrange for them proper medical aid and advice, to adopt measures for the sanitary improvement of the place, to take steps for the prevention of epidemics, and to educate members and others in public health and sanitation. The societies usually maintain dispensaries with a qualified doctor, medicine being supplied at cost price and doctor's services being charged for at a cheap rate. Funds of the society are obtained through small shares, members' subscriptions of about Rs. 4 per head per annum, doctor's fees, public donations and Government grants. In the Punjab, at the end of 1943-44, there were 101 public health and medical aid societies with a membership of 14,991. They were running dispensaries with a doctor in charge or, when one was not available, with a trained and experienced compounder. In 1943-44, the staff employed by these societies treated 432,932 members and 225,263 non-members. These dispensaries are maintained from grants made by Government and local bodies and partly from small monthly subscriptions from members. One class of health societies, namely, the anti-malarial societies, have generally been able to do useful work, especially in Bengal, by introducing various preventive and curative measures against malaria.

Recommendations.

25. We recommend that, pending organizatin by the State of medical services, on a comprehensive scale, the State should help voluntary effort organized on co-operative lines for such purposes as the prevention and treatment of disease, clearance of jungles and swamps, reclamation of marshes, draining of pools and trenches, spraying of mosquito-infested areas with insecticides, etc. The State should also utilize such co-operative organizations whenever possible for discharging some of its functions such as the provision of medical assistance and the eradication of malaria. For societies engaged, in anti-

* This is gathered from The Peckham Experiment by Innes H. Pearse, M.D., and Lucy H. Crocker, B.Sc. (George Allen & Unwin Ltd).

malarial work, jungle clearance, reclamation of marshes, etc. the Army personnel which has been trained on up to date lines in the medical, sanitary, and anti-malarial services will provide excellent members. We, further, recommend that the State should initiate and work a subsidized scheme for rural health co-operatives, as in the Punjab, whereby the latter will obtain for their members for a small fee the services of medical practitioners. Facilities should also be provided to the rural co-operatives to obtain supplies of medicine through the State dispensaries and hospitals. We, further recommend that the State should meet the working costs of the rural societies to the extent of 75 per cent and grant subsidies to central organizations among them to ensure efficient supervision by them of the work of the primaries. But, whatever the degree of assistance rendered by the State to co-operative organizations, the limitations of voluntary effort must be recognized and, therefore, it is necessary to supplement it with large-scale State action.

26. As regards urban and suburban areas, owing to technical advances and increasing specialization, modern medical treatment is becoming increasingly expensive and beyond the reach of the bulk of the population. People belonging to the middle class have the option, indeed a Hobson's choice, of going either to a private charitable institution or a Government free-hospital and receiving inadequate attention there or to medical and surgical specialists and paying very heavy bills and nursing-home charges. It is suggested that this class should be organized into co-operative groups, where by joint action they can secure for themselves medical services on terms within their means and without relying on charity. We are of opinion that an organization on the following lines will be of considerable use in securing medical services both preventive and curative to large groups of people. A co-operative society should be established with as large a membership as possible. Its funds will be derived from an admission fee and a regular monthly subscription. The committee of the co-operative society will then arrange with a doctor or if possible with a group of doctors for periodic examination of members and their families free of charge and for treatment of ordinary complaints at a reduced charge. The doctor or doctors will be guaranteed a minimum income on the basis of monthly subscriptions of the members. The next stage in the evolution of such a society will be the construction of a co-operative hospital. A popular medical writer, Paul De Kruif, writes : " Service for 5,000 people would require perhaps five doctors : let's say one surgeon-orthopaedist, one internist, and three general practitioners, including one trained in eye-ear-nose-throat practice, and one in obstetrics. Net incomes of the two top men, $12,000 each ; of the other three, $10,000 each. The hospital would have about 20 beds, and the operating cost would be about $75,000 a year. Total operating cost

would thus amount to about $130,000. With all families voluntarily paying for their complete hospital and medical care at the rate of 60 cents a week per person, the income would be some $156,000. This leaves more than $25,000 yearly with which to pay for the facilities and equipment "*. While under Indian conditions the standard of medical treatment thought of in the above quotation may not possible, it should not be beyond the means of sufficiently large groups of people in the cities and their suburbs to start co-operative hospitals on the principles explained above. One important advantage of what is called ' prepaid group medicine ' is that it will give a very great stimulus to preventive medicine. It would be in the interest both of the doctor and the hospital to see that the patient is sick as little as possible and for as short a period of time as possible, or better still, does not get sick at all. Co-operative health associations of the type sketched above will also be in a position to study and tackle in a practical way such important subjects as nutrition, improved diet, physical culture, etc. We are of the opinion that such a co-operative society has greater chances of establishing itself in a locality where a co-operative stores society exists already, and where owing to its existence co-operative ideals have taken root.

27. Life insurance companies should find it in their interest to assist voluntary associations which adopt special measures for the prevention of disease and its treatment in the earlier stages. It would be in the fitness of things if life insurance associations in India took a special interest in starting such societies among their policy-holders by offering them some rebates in insurance premium or direct medical assistance. In helping people to become more health-minded and in enabling them to take steps to prevent diseases, the insurance companies will be helping themselves by prolonging the life of their policy-holders.

28. We recommend that the Provincial Co-operative Council should take early steps to bring into existence co-operative health organizations of the type indicated above, after arranging the details of the working of these bodies in consultation with the various interests concerned.

Better Living Societies : Introductory.

29. The main objects of a better living society are:—(1) to improve the moral condition of members, (2) to provide educational assistance to the children of members, (3) to check extravagance and inculcate habits of thrift, (4) to reform undesirable social customs, (5) to improve sanitation and hygiene, (6) to discourage litigation and (7) to encourage healthy recreation and improvement of physique. The capital of the society consists of entrance fees, contributions, donations and fines, but it receives no loans or deposits. A members signs

* The Reader's Digest, July, 1945, pp. 110-111, from the article " Home Town Medicine."

an agreement on joining the society to the effect that he will observe the reformed customs approved by the general meeting and will not spend on any ceremony in excess of the limit prescribed by the society. He, further, agrees that, in case he commits a breach of this undertaking, he will pay to the society a fine not exceeding Rs. 100 as the committee may impose.

30. The number of better living societies in British India is about 6,7000 of which 3947 are in the United Provinces, 2097 in the Punjab and 502 in Bengal. These societies have achieved a certain measure of success in some other provinces also. For instance, one better living society in Javalwadi, Satara District, Bombay, has succeeded in opening as many as 55 schools in the villages. Similarly, in Madras, the two societies in the Guntur District for the Kalavantula community have done some good work by reforming women of this community to adopt better ways of living by settling down to a married life and abstaining from giving dancing performances, etc. The Brindavanam Better Living Society for the scheduled castes in Madras City has also performed useful service. It has, with the help of the Labour Department, constructed huts for the members and improved the sanitation of the locality where they live. In Bengal, some societies, besides attending to social reforms, undertake measures relating to village improvement, such as construction of roads and excavation of canals. In the Punjab, the societies have besides attending to the improvement of the moral condition of members, taken to some items of village improvement such as construction of village roads, sanitation, etc. In both Bengal and the Punjab, the labour services rendered by the members are voluntary and free.

Recommendations.

31. While some of the societies seem to have done useful work, a majority of them are in a state of suspended animation and show signs of active life only at the time of official visits. The activities of these societies should centre on some economic objective such as credit, marketing, provision of household requirements, etc., as this will make a stronger appeal to the villagers than attempts only at the improvement of moral and social conditions. We are of the opinion that the reformed and reorganized primary societies which we have recommended in Chapter III should undertake these functions. But wherever this is not possible, separate societies may be started. The return of the demobilized soldiers who have seen the world, and been used to better conditions of life, will furnish the incentive for village improvement. This will afford a splendid opportunity for starting better living societies with returned service personnel as well as other village folk, both men and women, as members. Once the co-operative idea takes root, it should not be difficult to expand the scope of these societies and convert them into ordinary primary societies.

CHAPTER XII

WOMEN AND CO-OPERATION.

Introductory.

The Co-operative movement has not, in our opinion, paid sufficient attention to the special features of the position of women in Indian society ; two of the most important of these features are the women's apparent indifference to and non-participation in movements outside the domestic sphere, and their virtual mastery over most of the domestic affairs. This neglect has been largely due to the fact that, hitherto, the movement has confined its activities almost exclusively to credit. With a change in the outlook, which embraces all economic activities, the time has come seriously to examine the question of persuading women, who form more than half the population of the country and whose aloofness has deprived the movement of half the energy and more than half the enthusiasm available to the country, to extend their active participation to the movement. Their participation is of particular importance for the success of activities engaged in by consumer's stores, industrial societies, co-operative dairies and voluntary health associations. The necessity for asking for the co-operation of women has been emphasized by the fact that, now that the war is over, a very large number of fathers, brothers and husbands will be returning home from the services with a broadened outlook and a higher standard of living, and there is a danger of a clash in ideas and ideals unless their womenfolk also develop a similar outlook and standard.

2. The activities of women which can be placed on a co-operative plane fall broadly under two heads, *viz.*, economic and social. In the former are included ways of increasing income, thrift, wise spending and prevention of waste ; and, in the latter, sanitation, hygiene and general social welfare. Thrift, wise spending and prevention of waste make for a sound domestic economy as they result in a better distribution of funds among the different domestic needs and enable the saving of each day's surplus against a morrow that may place unusual strain on the family resources. In this important and difficult task, the housewife can be best aided by the Co-operative movement. A consumers' society, for instances, provides a unique scope for women's effort, as women are in a better position than men to determine the quality, variety and price of the goods required for the home. Similarly, a co-operative thrift or savings society will assist women by taking away quietly to a savings account the small surpluses laboriously collected by them. Again, the Co-operative movement enables women to develop various home and cottage industries

and crafts and thus enhance their family income. Societies formed among women engaged in cottage industries with the object of uniting and encouraging their effort and improving their product will assist in raising the living standards through enhanced income. In the social field, hygiene and sanitation are the two items which women particularly can attend to on co-operative lines, especially through propaganda, practical work and model homes. There are also certain social services which women can conduct co-operatively such as running maternity homes and child welfare centres, carrying on propaganda for social uplift, etc. Women workers will be the best agency available to the Co-operative movement to further its programme of social reconstruction and betterment.

Co-operation among women in foreign countries.

3. In foreign countries, women have actively associated themselves with the Co-operative movement by taking up membership alongside men in "composite" societies as well as by constituting societies exclusively for themselves for activities for which they are specially qualified. While they have participated in most kinds of co-operative enterprise, they have been particularly associated with the stores movement. A special type of organization which has successfully grown in local areas and been integrated into national federations and even spread to the international field is the Women's Co-operative Guild. The Guild is a democratic institution working for the development of the spirit of Co-operation for the furtherance of its principles and practice, for the improvement of conditions of home life and for securing peace among all nations. Its activities include the holding of meetings regularly, conducting schools, organizing entertainments, imparting instruction in household matters, and carrying on campaigns for the reform of domestic work and campaigns against alcohol, food taxes, etc. In U.S.A., women play an important part in the educational work of the Department of Agriculture. While selected men in each county, known as "county" agents" are employed for visiting farms, advising farmers and spreading information regarding developments in scientific agriculture, selected women, known as "home demonstration agents", do the work of advising farmers' wives on such matters as the canning, dehydrating and freezing of farm products, child care, nutritious foods, kitchen gardens and household arts. These home demonstration agents now number about 2,284, besides 279 assistant agents in the more important counties. They have so far organized 52,445 home demonstration clubs having 1,161,005 members and have also trained the leaders for them.

4. A reference may also be made here to the women's co-operative market, the first of its kind in U.S.A., conducted by the farm women of Montgomery (Maryland). It is an example of how rural women bring quality produce within the reach of city consumers. The qualifications for participation

in the market are that a woman should have a farm of at least 7 acres, and derive most of her income from farm operations. She becomes a member on purchasing 2 shares of $2, and makes use of the market on the agreement that she will pay $2 a month for rental of the stalls and 5 per cent of her sales as contribution towards working expenses. Surplus earnings occruing to the market are divided among the members according to their individual financial contributions during the year. In the initial years, however, such earnings were placed in a common sinking fund to be applied to early payment of the loan capital, and members received revolving certificates showing their earnings for the year, which would be redeemed after the society's borrowings were paid off. The society was able to repay within 13 years its mortgage debt of $50,000 on the buildings and grounds. The success of the co-operative market can be assessed from the fact that in 13 years its annual business has grown from $5,000 to $275,000. This success was in some measure due to the proximity of the market to the University of Maryland where the members were able to get assistance from specialists and also due to the fact that the members were already active members of the local home demonstration club.

Co-operation among women in India.

5. In India, the membership of co-operative societies is open to women also, but the number of women members is small. An attempt to organize special women's co-operative societies has been made in the provinces of the Punjab and Madras, but they have been able so far to organize only the following :—

Class.	Number of societies.	
	Punjab	Madras.
Thrift	376	5
Cottage Industries	—	25
Better Living	1	—
Medical Aid and Public Health ..	1	—
Girl Guide	1	—

The Co-operative Department in the Punjab has employed a staff of two lady assistant registrars, 2 inspectresses, 25 sub-inspectresses and a number of clerks to promote and supervise the work of women's societies. In the Punjab in addition to these societies for women which are almost entirely for thrift, welfare is being done on a very large scale throughout the province. 113 lady welfare workers have been appointed in rural areas of the province. They deal with a variety of activities among which sanitation, hygiene, home industry, eradication of illiteracy and undesirable customs are particularly important. Their work is supervised by 5 lady welfare inspectresses. This staff is under the Rural Reconstruction Department but works with the staff of the Co-operative Department as the two Departments are under the same head.

6. In Madras a special officer has been appointed to organize and supervise women's societies. There are six cottage industries societies functioning in the City of Madras. The Madras Provincial Co-operative Bank gave them a subsidy of Rs. 4,000 which was spent as follows : Each society was provided with a sewing machine and an almirah ; two lady instructors were maintained to teach tailoring and embroidery work to members ; and each society was given a grant of Rs. 10 per month towards working expenses. The activities of these societies include tailoring, embroidery, knitting, lacework, hand-made paper-making, pickle-making, rattan work, making of hand-pounded rice, spinning and making of fancy articles. The members assemble twice a week at the society's office for taking orders and material for work and for delivering finished articles. The cost per society including the expenditure met from their own resources is about Rs. 1,000 per annum.

Recommendations.

7. We recommend that (1) the co-operative Department in each province should employ at least one Lady Assistant Registrar or Woman Special Officer to encourage women to join the Co-operative movement and to organize and supervise women's societies. When the number of women's societies increases, the Department should employ for every 25 such societies, at least one woman welfare worker and the requisite subordinate staff to direct and supervise their working. From the early days of the war special groups of women welfare workers known as " Sevadanis ", have been trained and employed in all the heavily recruited areas. These workers visit the homes of all serving soldiers, attend to their requirements, talk to the women-folk of better living, and organize child welfare and simple medical relief. There is thus already in existence a trained body of women welfare workers. They should, if they are qualified, be preferred to others for employment in the Co-operative Department as lady welfare workers.

(2) A special effort should be made to encourage women to join consumers' and better living societies.

(3) In rural areas, women should be enrolled as members in the village primary society, but if in any locality their interests are likely to be better served by forming a society of their own, they may form a separate society.

(4) Co-operative societies exclusively for women should be formed for the purpose of undertaking activities such as home industries and thrift. Maternity and child welfare, recreation clubs and eradication of social evils, e.g., dowry, extravagant social expenditure, etc., may also be undertaken by them where special funds for these purposes are available.

(5) In urban areas, women should be encouraged to join all types of co-operative activity, particularly health and medical societies and thrift and consumers' stores, and to participate

actively in their management, by making, for instance, provision for special women's committees and for seats for women on the managing board.

(6) The Regional Promotional Agency, the formation of which we have suggested in Chapter VII, should organize and assist women both in rural and urban areas to undertake home crafts and cottage industries such as tailoring, embroidery, knitting, lace-making, pickle-making, hand-spinning, hand-pounding of rice, basket-making, mat-weaving and making of various kinds of fancy articles. It should specially assist women belonging to the scheduled castes who are experts in making baskets, winnows, thatties, and other domestic and household goods. Further, it should also arrange where necessary, training classes to teach all women simple home industries and arts.

CHAPTER XIII

TRANSPORT.

Transport Co-operatives.

With the development of roads on a large scale during the post-war period as planned by the Government of India and the provincial governments, numerous problems in connexion with regulation of road and rail traffic, maintenance of efficiency of transport system, etc., will arise. These problems will be complicated by the fact that most of the motor transport vehicles are at present owned by an excessively large number of petty individuals who have insufficient resources and are ill-equipped to render efficient and cheap service to the public. In order to increase the efficiency of the transport system and to improve the economic conditions of the persons engaged in it, it is necessary to organize them co-operatively. Moreover, transport organized on co-operative lines will be more amenable to State regulation than a host of individual lorry owners each plying his own vehicle. It will also provide an opportunity of employing demobilized soldiers and technicians who have during the course of their service workd as drivers or mechanics. It is understood that more than 100,000 of these will be discharged. Further, to avoid bringing into existence rival interests in the transport business and thereby giving rise to wasteful competition, it will be desirable to reserve transport services on certain roads exclusively for certain transport societies. Though on the ground of interference with the existing interests, it may not be found practicable to do so in case of old roads, no such difficulty will arise in case of new roads. Reservation of transport services for co-operative societies will also facilitate regulation of rates for transport of passengers as well as of goods.

2. Co-operative transport societies have made notable progress in Palestine. There were at the end of September, 1942, 26 transport co-operatives with owned funds of £611,000, debts of £360,000 and investments of £609,000. They have established transport services both on municipal and on inter-urban roads and have almost a monopoly of motor transport in the country. Their activities have been greatly helped by the existence of a central institution, 'Noa', which purchases their various requirements collectively. It has contracts with all oil companies for supply of fuel and oil at reduced rates and has arrangements for purchase of tyres and spare parts. Transport societies also existed in Italy and Germany before the war. On 31-7-45 there were 15 co-operative transport societies in the Punjab. They were all reported to be working satisfactorily. Further increase in their number has been prohibited pending a final decision by Government with regard to the policy of about Government participation in the transport business.

3. We recommend that :— Recommendations.

(i) Transport co-operative societies composed of ex-servicemen and small owners of vehicles should be organized in different parts of the country and Government should place at their disposal surplus vehicles at nominal rates.

(ii) The Provincial Co-operative Council should watch the progress in the development of road construction and suggest to the Co-operative Department from time to time in what areas transport co-operative societies should be organized.

(iii) Passengers and goods traffic on new roads should be reserved for co-operative transport societies.

(iv) When a sufficient number of transport societies have been organized in a particular area, steps should be taken to organize them into unions for co-ordinating their activities specially as regards rates, freights and routes and for obtaining collectively their various requirements such as tyres, petroleum, lubricants, accessories, etc.

4. When motor transport co-operatives are organized as recommended above, a need will arise for machine shops for repairing motor vehicles. These shops will besides attending to motor vehicles, be available for making repairs to agricultural implements, machines, pumps, cycles, etc. They will further provide employment to ex-servicemen with technical knowledge. Co-operative Workshops.

5. We recommend that :— Recommendations.

(i) Machine shops on co-operative lines should be organized where necessary and that Government should place at their disposal surplus machinery and tools at specially reduced prices. The possibility of converting after the war the ordnance factories and engineering workshops into manufacturing centres for the supply of tools and agricultural implements should also be examined.

(ii) In organizing these shops the services of Regional Promotional Agencies, whose organization we have recommended in Chapter VII, should be utilized.

6. On account of its cheapness, water transport, both inland and coastal, still plays an important part in the transport system of this country. Its importance was demonstrated during the period of war when transport facilities were not easily available and goods in large quantities for civilian as well as military use were transported to distant places in country crafts and boats. It is estimated that in India there are 5675 country crafts of the approximate tonnage of 2½ lakhs and the capital value of about Rs. 5 crores. It is also estimated that about 80 per cent. Country Craft Co-operatives.

of the crafts are worked by the owners themselves and the remaining 20 per cent. by capitalists. These boatmen being poor have to borrow at high rates of interest. The arrangements for the supply of materials needed for construction and repairing of boats are also not satisfactory. If co-operative societies for supplying them finance at reasonable rates of interest and materials at controlled rates are organized, it will go a long way in improving their economic condition. All these boats are sailing boats and it will be a great advantage if they are fitted with auxiliary engines thereby making them independent of winds. The society can help the boatmen in the task of fitting boats with engines. The roving nature of the occupation of the ' tindals ' (boatmen) is a great handicap in organizing them co-operatively. With the co-operation of the Country Craft Organization Officer, attempts should, however, be made to organize co-operative societies at important centres of country craft building, such as Kasargode, Mangalore, Tuticorin, Ratnagiri and important ports in Kathiawar and Gujrat. Country craft rendered very useful service during the war. To enable this important transport organization to survive after the war it will be desirable to organize the country craft workers on co-operative lines.

7. Instances of co-operative water transport organizations in foreign countries are few. Before the war, water transport was, however, extensively organized on co-operative lines, on river Po and the Italian canals. In Adriatic ports also, the entire transport was in the hands of co-operative societies.

Recommendations

8. We recommend that :—

(i) The Provincial Co-operative Council should examine the scope for organizing country craft societies on co-operative lines, and select places where they should be organized.

(ii) These societies should be supplied with better boats and in some cases diesel engines. Finance for this purpose should be supplied by Government.

(iii) The Provincial Co-operative Council should consider the question whether a particular area should be reserved exclusively for transport by country craft, and should approach Government to have it closed to other forms of transport.

CHAPTER XIV

CO-OPERATIVE INSURANCE.

Life Insurance

Insurance has been recognized all over the world as a scientific method of safeguarding and providing against the various hazards of life. Its growth has been encouraged in most countries by tax exemption and several other ways. It has, however, not made much headway in India principally for the reason that the bulk of the people live on the bare margin of subsistence and do not have any surplus to pay insurance premiums. Insurance per head of the population in U.S.A. is Rs. 2,300, in Canada Rs. 1,573, in the Union of South Africa Rs. 1,467, in New Zealand Rs. 1,387, in the United Kingdom Rs. 973, in Australia Rs. 960, in Germany Rs. 240, while in India it is Rs. 8. Primarily, increased public savings and growth of insurance will depend upon the raising of their income. We trust that with the execution of the development plans of the State, a fairly large proportion of the population will have at its disposal some surplus out of which it can provide against contingencies. While co-operative planning and development will bring about material improvement in the economic condition of the small man in towns and villages, insurance has a great part to play as an important preventive weapon for safeguarding the future and for providing funds for occasions which drive the small man to indebtedness, such as weddings, celebrations and funeral expenses. Even now there are agriculturists just on the margin of safety who without this preventive weapon of insurance may fall into the abyss of indebtedness on the first such occasion. It seems necessary therefore that simultaneously with the working out of plans for development, the State should foster any organization which is set up for enabling persons of small means to make provision for the future.

2. In several countries of Europe, the development of co-operative life insurance has been of considerable help in catering for the needs of agriculturists, artisans, and workmen. One of the largest organizations of this kind was the Deutscher Bauerndienst (Farmers' Service) in Germany which insured 207,000 persons for a total value of 160 million marks in 1937. In Belgium (1937), 12,673 persons were insured on a co-operative basis for a total value of 284 million francs and in Hungary (1937), 227,545 persons for a total of 86 million pango. In Finland, co-operative insurance societies have been organized by federations for the benefit of their members. The life assurance society, Pohja, is a co-operative enterprise of S.O.K.*

* Suomen Osuuskauppojen Keskuskunta.

(Co-operative Wholesale Society). Its policies in force in 1935 amounted to $22 million and the policy-holders were mostly small farmers. Its agents were largelly executives, managers and other employees of the consumers' co-operative creameries and credit societies affiliated with or friendly to S.O.K.. In Norway, the co-operative life insurance society had, by the end of 1935, issued life insurance policies totalling 23 million kroner and collective pension policies amounting to 1.61 million kroner. In Sweden, the life assurance society, Folket, was organized in 1914 by K. F.* (the Co-operative Union and Co-opeative Wholesale Society). In 1935 it had 206,375 policies of the value of 256 million kroner. In Great Britain, the Co-operative Insurance Society at Manchester, which undertakes all types of insurance excepting marine, is a joint enterprise of the Co-operative Wholesale Society of London and the Scottish Co-operative Wholesale Society of Glasgow. Its total assets at the end of 1940 amounted to about £38 million. Its important contribution to the British insurance field is its pioneer work in group insurance. Of its group insurance schemes, the most characteristic is the life assurance scheme which provides benefits to the wife (or husband) of a deceased member of a co-operative society in proportion to his average purchases from his retail society during the three years preceding the death. This type of insurance is financed by a premium charge of 1d. per £1 on retail purchases.

3. In India, life insurance on co-operative lines has made some progress during recent years in Bombay, Madras, Hyderabad and Baroda. The Bombay Co-opeative Insurance Society was organized in 1930. The new business during the year ending 31st December, 1944, resulted in 2,878 policies for Rs. 40 lakhs, the total business in force at the end of the year amounting to 1.90 crores.. The South India Co-operative Insurance Society of Madras, which was also organized in 1930, issued 1,439 policies for Rs. 18.51 lakhs during the year ending 31st December, 1943, while the total business at the end of the year amounted to Rs. 90.13 lakhs. The Hyderabad Co-operative Insurance Society issued 3,106 new policies for Rs. 41.12 lakhs during the year 1352-53 Fasli (1943-44) while the total business in force at the end of the year amounted to Rs. 1.31 crores. The Baroda Co-operative Insurance Society issued 208 policies for Rs. 1.41 lakhs during 1942-43 and the policies in force at the end of the year numbered 683 and were for Rs. 3.94 lakhs.

4. In India, the operations of co-operative insurance societies have been so far on a very restricted scale. Although insurance companies registered under the Indian Companies Act have been able to extend their operations among rich and middle classes in urban areas and although provident companies issuing policies of Rs. 500 or less are growing in number, almost the entire population in the rural areas and the low income groups like factory workers and labourers in urban areas do not receive

* Kooperativa Forbundet.

the benefit of insurance. What is required for serving the insurance needs of poor people is a co-operative society having contact with the masses of people in rural as well as urban areas through various types of co-operative organizations and issuing policies for small sums even below the present limit of Rs. 500. Even then schemes for writing policies for small amounts may not be financially sound particularly as the mortality rate among those classes of persons is probably greater and the cost of issuing small policies is comparatively high. In view, however, of the importance of insurance schemes as part of programme of social security, facilities for insuring low income groups must be provided, and the State should be ready to render full financial assistance even if it is considerable. We are of the opinion that the State should pay a subsidy by way of contribution to the premiums on life assurance policies taken out in rural areas for Rs. 500 and below. As the cost of issuing small policies is likely to be comparatively high, the co-operative insurance society should utilize the services of other co-operative organizations so as to keep down the expense ratio. We indicate below the directions in which the co-operative insurance society should expand its business, if it aims at meeting the insurance needs of the poor and middle class people.

Life insurance for rural areas.

5. Although the income of agriculturists is at present so low that there is no margin for any provision for the future, such a margin, will, it is hoped, be created when the various development plans are implemented, and there will then be a scope for insurance. Something can, however, be done even now. There are in every village some agriculturists who are not indebted. These agriculturists who are on the margin of safety should be persuaded to take out insurance policies particularly marriage endowments and whole life (limited payments). In times of prosperity, some agriculturists have a surplus income which they spend on objects which are wasteful, or invest in gold or silver ornaments. In the years of adversity, on the other hand, debts are incurred on the pledge of ornaments which are generally lost as they become irredeemable on debts becoming too heavy. If an agency is created, which will persuade the rural population to invest the windfall of good years in insuring against the adversity of bad years, it will perform a most useful service and remedy to some extent the evil of chronic and what seems to be inescapable indebtedness. The policy of insurance thus taken out will not only safeguard the future, but will also enable the policy-holder to borrow in case of need at a fairly low rate of interest from the insurance society or better still from the village society on its security. The primary village societies and other co-operative organizations working in rural areas can render very great help in explaining the benefits of insurance and of the necessity of buying insurance policies instead of ornaments. In particular, they can perform

valuable service in collecting insurance premiums from the agriculturists during the crop season and remitting them to the insurance society for which they may receive a small commission.

6. The co-operative insurance society will have, in certain respects, to adjust its methods of business to the special requirements of the rural areas. For instance, in cases of small policies of sums below Rs. 1,000, it will be worth its while to do away with medical examination and proof of age, and substitute for them, a declaration from the proposal of good health and date of birth and a confirmation of such a declaration by two other members of a co-operative organization. In order to safeguard its interests, the society should lay down rules and conditions for the limitation of its risk during the first three years so that in the event of the death of a policy-holder in the first year, his heirs will be entitled to receive only the amount of premium paid by him and in the event of his death in the second or third years, his heirs will be entitled to receive not the full sum assured but a proportion of it, say one-third and two-thirds. The society should accept full risk under the policy from the fourth year. It seems advisable to persuade insurers by offer of a liberal rate of interst on advance payments to pay premiums in advance in good years to forestall defaults in bad years. It is not fanciful to visualize a stage when the benefits of insurance will be well appreciated, that the rural population will replace the system of ' palla ' or ' stridhan ', which are given at the time of marriage in the form of ornaments, by the system of taking insurance policy on the basis of payment of single premium.

We recommend that although the scope is limited, the co-operative insurance society should take steps to extend the facilities of life insurance to rural areas, that Government should subsidize the rural policy-holder who takes out a policy of Rs. 500 or less, and that co-operative organizations working in those areas should offer to it their services so that its working cost may be reduced as far as possible.

Insurance for members of land mortgage banks and housing societies.

7. The borrowers of land mortgage banks may find it to their advantage to insure their lives. They may take policies assigned to them to cover amounts which are equal to their debts. The payment of each instalment of premium will in their case mean a reduction in the amount of debt. Insurance societies have devised a scheme called the Diminishing Term Insurance which will be eminently suited to their requirements. Under this scheme, the risk diminishes with the payment of each instalment and becomes extinct at the end of the period of the loan. The premiums will be small on account of limitation of risk. An alternative scheme is that the borrowers may take a non-profit endowment policy for the period of the loan. They pay every year interest on the loan to the land mortgage bank or the housing society and premiums to the insurance society. At the end of the period of the loan (which will also be the period

of the endowment policy) or in the event of death, if earlier, the insurance society pays the entire amount of loan due to the land mortgage bank or to the housing society and the property mortgaged for the loan is set free from encumbrance.

8. We recommend that the co-operative insurance society should prepare schemes of insurance to suit the special requirements of the borrowers of land mortgage banks and housing societies on the lines suggested above.

Insurance for depositors and members of co-operative banks.

9. The co-operative insurance societies may introduce depositors' insurance benefit scheme for the benefit of depositors and members of employees' societies, urban banks and central and provincial co-operative banks. This will be an attractive scheme with low premiums. Under this scheme the co-operative societies and banks arrange for insurance of their depositors and members with the co-operative insurance society and pay the premiums by debiting their accounts. No formalities like medical certificate, proof of age, etc., should be prescribed for small policies up to Rs. 1,000. A declaration of sound health and of age will be all that will be required for effecting insurance. However, in order to safeguard the interest of the society in the event of death taking place during the first three years, similar rules should be adopted in respect of the payment of claims, as are suggested by us in para. 6 in the case of policies in rural areas. The cost of securing and effecting insurance should be low as the expenses incurred in respect of commissions, medical fees, stamp fees, etc., will be small.

10. We recommend that the co-operative insurance society should frame schemes of insurance in co-operation with the employees' societies, urban banks and central and provincial co-operative banks for the benefit of depositors and members.

Insurance for industrial workers.

11. For the benefit of industrial workers various social security plans have been prepared under which provision has been made for insurance against sickness, unemployment, accidents, old age, etc. None of these plans, however, provide for insurance against death. It is common knowledge that industrial workers as a class can save very little during the period of active life and when they fall ill or become unemployed, they are inevitably dragged into debt. Such a state of affairs may however be improved with the introduction of schemes of social insurance and the adoption of measures for increasing efficiency and there may then be a margin left with the worker to insure his life. We suggest that the co-operative insurance society should specially try to insure the lives of industrial workers and they should in this connexion, seek the help of the employers and of the Labour Officer.

12. It is not unlikely, however, that the small savings which the individual worker may make will be inadequate to enable him to obtain benefit from ordinary insurance schemes. Experience in other countries has shown that group insurance is a more suitable plan for extending the benefit of life insurance

to industrial workers. The employer and employees may both contribute in equal proportion to the cost of this form of insurance. The contributions are fixed at a certain percentage of the wages, and the benefit is assessed on the basis of the wages and the length of the service subject to a certain minimum payment. We recommend that co-operative insurance societies should frame group insurance schemes at an early date and introduce them for industrial workers.

13. Though the main object of the co-operative insurance society will be to extend the benefits of insurance to small and middle class people, it should not refuse business from higher income groups, as the larger its business, the lower will be its expense ratio, but the maximum limit for a policy issued by it should be Rs. 5,000 or in special cases with the approval of the Registrar Rs. 10,000, provided that this limit should not apply to policies taken out to cover loans from land mortgage banks or housing societies.

Recommendations.

14. We recommend that :—

(i) Provincial co-operative life insurance societies should be organized in all provinces.

(ii) Co-operative life insurance societies should frame schemes for meeting the special requirements of different classes of people such as depositors and members of co-operative banks, factory workers, members of land mortgage banks and housing societies and members of primary societies.

(iii) Various co-operative organizations such as co-operative banks, factory workers' societies, consumers' societies and rural societies should actively take part with co-operative insurance societies in promoting insurance business among their members, *e.g.*, by persuading their members to insure with co-operative insurance societies and collecting and remitting premiums on behalf of their members. They may where possible be appointed as agents of insurance societies and may in return be paid a small commission.

(iv) In order to enable the co-operative insurance societies successfully to undertake insurance business among lower and middle classes and thereby encourage among them the habits of thrift, Government should pay them interest at one per cent. above Reserve Bank rate in respect of the statutory deposits and that proportion of their liabilities which have to be invested in approved securities. The interest earned by these societies on all their investments should be exempted from payment of income-tax.

Fire and General Insurance.

15. The need for organizing fire and general insurance on co-operative lines is being felt already and with the development of the Co-operative movement particularly in connexion

with housing, marketing and distribution, this need will be felt more keenly. Co-operative insurance should be cheaper inasmuch as it would be possible to keep down the charges for procuring business from co-operative institutions and as disputes regarding settlement of claims could be settled by arbitration. A co-operative general insurance society besides undertaking fire insurance can as well undertake other types of insurance such as fidelity.

16. Fire and general insurance on co-operative lines has made commendable progress in European countries. Insurance societies have often been promoted by the consumers' co-operative movement. This is the case in Finland where in 1935, 303 co-operative insurance societies insured against fire for a total value of 14,769 million markka and in Sweden where capital insured against fire by Samarbete Co-operative Insurance Society in 1937 was 2,372 million kroner. In Norway, a fire insurance society was organized by N. K. L. (Co-operative Union and Co-operative Wholesale Society).* It had at the end of 1934, 23,875 policies in force amounting to 144 million kroner. In Great Britain, the Co-operative Insurance Society at Manchester undertakes, fire, accident and automobile insurance besides undertaking ordinary and industrial life insurance. Its premium income during the year 1940 amounted to £9.7 million, while its total assets amounted to about £38 million. In the U.S.A. the co-operative insurance associations hold a pivotal position in the field of rural insurance. According to Mr. Joseph G. Knapp there were 2,000 associations serving a combined membership of almost three million farmers and having insurance in force amounting to 12½ billion dollars which represented more than half of the value of insurable farm property in the United States.†

17. The only instance in India of insurance against fire and other risks on co-operative lines is that of the Co-operative Fire and General Insurance Society of Madras, which was registered in 1941-42. It undertakes all kinds of insurance except that of life and issued 5,526 policies covering risks to the extent of Rs. 2.82 crores during 1943-44. Almost eighty per cent. of its business came to it through co-operative organizations.

18. It appears to us that while it is desirable to organize fire and other general types of insurance on co-operative lines, it is necessary for the success of such an organization to extend its area of operations to the whole of India. In the first place, the larger the area of operations, the wider will be its risks spread and the greater the chances for gains and losses to cancel each other. Secondly, the larger the amount of its business, the lower

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* Norges Ko-operative Landsforening.

† Article contributed by Mr. Joseph G. Knapp, Principal Agricultural Economist, Co-operative Research and Service Division, Farm Credit Administration, on " Agricultural Co-operation in the United States " in the Year Book of Agricultural Co-operation, 1942.

will be its expense ratio and the higher will be its standing and the greater its influence in the insurance world. It will have a fair prospect of achieving these ends, if it has a virtual monopoly of co-operative business. We, therefore, recommend that Registrars of Co-operative Societies should advise all co-operative societies in their respective provinces to deal in the matter of fire and general insurance business with the all-India co-operative insurance organization when it is formed.

Recommendations.

19. We recommend that an All-India Fire and General Insurance Society should be organized and that it should have on its board of management representatives of different provinces as well as of different interests. The working of the society will be very much facilitated if it sets up local boards and delegates to them the authority to accept proposals as well as to settle claims within limits fixed by its central board.

20. We are of the opinion that it will be desirable to amalgamate the Fire and General Insurance Society of Madras with the all-India organization when it is established. There may, however, be objection against this course on the ground of its earlier establishment and local patriotism. In that case it may continue as a separate and independent organization, but competition should be avoided by excluding Madras from the area of operations of the all-India organization.

Cattle Insurance.

21. Cattle wealth has a special significance in the economy of a farmer in a poor country like India. The number of cattle in British India alone is estimated at over 200 million heads. Further, an average farmer in India depends entirely upon his bullocks for tilling his land as well as for transporting his produce. Cattle insurance has therefore a special significance in this country.

22. Though the need for cattle insurance is universally recognized, it has not been successfully organized in any country so far. As a commercial enterprise, it offers very little attraction, and no joint stock insurance company considers it worth while to undertake this branch of insurance. The difficulties in this kind of business are numerous. In the first place, reliance has to be placed to an unduly large extent on the honesty of the owner of the cattle owing to the difficutly of finding out whether the loss was occasioned accidentally or through negligence. Secondly, there is the difficulty as regards identification of the dead animal with the insured animal and as also as regards alteration in the value of the cattle by reason of age. Thirdly, the expenses of management caused by the preparation of numerous and constantly recurring policies and by the necessity of regular inspections or liable to be out of proportion to the sum insured.

23. Livestock insurance on co-operative lines has been attempted in some countries in Europe, particularly in Germany, France, Italy, Belgium, Bulgaria and Hungary. In all these countries arrangements for re-insurance have been made either

by grouping the societies together or by making arrangements with some big life insurance company or with the State. The societies receive substantial assistance from the State, the assistance assuming the form of (1) initial subventions, (2) subventions to meet exceptional losses, (3) annual grant for meeting expenses and (4) free veterinary aid as well as free supply of vaccines and other medicines.

24. Cattle insurance societies were attempted to be organized in Burma and some parts of India such as the Punjab; Bombay and Coorg, but they reached as advanced state nowhere except in Burma where there were about 400 societies with about 6,000 members and these societies were federated into a re-insurance union. The local societies charged premium at 5 per cent. of the value of the cattle, plough cattle and buffaloes between the ages of 4 and 12 being accepted for insurance. The amount of indemnity was limited to two-thirds of the value of insurance less the value of hide and carcass. The local societies paid half the insurance premiums collected by them to the re-insurance society, which was supplied with the list and particulars of cattle insured and their valuation every half-year. If any animal died, half the indemnity to be paid came from the re-insurance society, the other half being paid by local societies. The societies worked well for some time but lack of close supervision, disproportionately heavy administrative expenses and general deterioration in the condition of the Co-operative movement contributed to their failure. They were ultimately wound up.

25. The chief advantage in organizing cattle insurance on co-operative lines is that the members of such an organization are in a peculiarly advantageous position to observe and supervise the care given to insured animals, and to take action immediately when an occasion arises for it. They can also estimate correctly the value of animals both when insurance is effected and in the case of loss. The drawback of a small co-operative cattle insurance society, however, lies in the fact that the risk is confined to a small area and to a small number of animals, and should losses occur simultaneously, it becomes impossible to pay any compensation. It is, therefore, necessary for local associations to combine themselves for re-insurance.

26. Experience gained in Burma where the entire scheme failed despite the existence of a re-insurance society shows that the existing conditions are not suitable for entrusting this business to a co-operative society. In view, however, of the importance of cattle insurance for the agriculturists, we recommend that an experiment should be made in this direction by provincial governments on the lines set out below.

27. We recommend that :—

(1) The Co-operative and Veterinary Departments of the provincial governments should collect data about the

Recommendations.

number of cattle in different villages, number of owners, mortality, etc.

(2) After collecting the data, the provincial governments should undertake cattle insurance as an experiment.

(3) The experiment may at first be tried in selected areas and may be extended to other areas as experience is gained.

(4) Only the members of co-operative societies should be allowed in the beginning to insure their cattle, the insurance being restricted to bullocks, cows, and buffaloes.

(5) Adequate arrangements for veterinary services, vaccines and other medicines needed for prevention and treatment of cattle disease should be made.

(6) The insurance premiums should be fixed in such a way as to cover the losses in a normal year. The rates of premium will vary according to the age of the cattle, but animals below two years and above twelve years should not be insured, and arrangements should be made for the valuation of animals at intervals of six months.

(7) The amount of compensation to be paid should be fixed at two-thirds of the losses.

(8) The entire expenses of administration, veterinary services, vaccines, medicines, etc., should be borne by Government.

(9) After sufficient experience has been gained, the question of giving the insurance business a co-operative form should be considered. When cattle insurance is organized on co-operative lines, arrangements for re-insurance should be made either with the Government or with re-insurance societies, organized for the purpose.

Crop Insurance. 28. Crop insurance is a device whereby the losses sustained by a few farmers are shared by all the farmers in a group exposed to the same risk. A farmer pays a certain amount of premium every year, and by doing so substitutes for an unpredictable loss that occurs infrequently, a definitely known annual cost item in his farm budget. In essence what he does is that by making an annual contribution to the insurance reserve, he lays by a part of his production each year to provide for the losses when they take place. Crop insurance is, thus, the counterpart of unemployment insurance for the industrial population.

29. Crop insurance has been tried in several countries of the world particularly in Europe and America. In Greece, the Agricultural Insurance Institute undertakes direct insurance against hail and frost as well as re-insurance of local agricultural associations and mutual insurance societies and their unions.

It grants indemnity up to 90 per cent. of the value of the crops insured. In 1935, it issued 6,766 policies of the face value of 197 million drachmas, received premiums of 3.87 millions drachmas and paid claims for 2.56 million drachmas. The insurance was mostly in respect of vine, tobacco, wheat and fruits. It receives special grants from Government and also a share in the levy on exports of certain types of produce such as wine, fruits, etc. In Germany, hail insurance is undertaken by private companies as well as by public institutions. Private companies are regulated by legislation on insurance contract policy and their working is supervised by the State. Public hail insurance institutes have also been organized in different states. The State has supplied them with foundation capital as well as annual grants. There is, in Germany, still another scheme of hail insurance based on a contract of co-operation between the public authorities and the private insurance companies. Under this scheme, the State makes supplementary payments to the insurance company in addition to the premiums paid by the farmers. In France, hail insurance is effected by co-operative insurance organizations composed of cultivators and also by joint stock companies and mutual societies. There were on 1st January, 1939, 1,000 hail insurance societies. These societies receive considerable help from the State by way of subsidies. They also receive help from the National Bank of Agricultural Credit by way of loans and from regional banks of agricultural credit by way of bonus interest upon loans made by them.

30. In the U.S.A. mutual property insurance companies insure against wind, storm and hail. Some of them specialize in insurance of crops against hail damage. About 100 associations of this type, many of which confine their operations within a single state have outstanding insurance business amounting to about 5½ billion dollars. A country-wide experiment in providing insurance against losses in production covering all risks was made when the Federal Government organized the Federal Crop Insurance Corporation in 1938. The programme of crop insurance was inaugurated for wheat growers and three years later it was extended to cotton. Insurance was against production risks through insurance of yield and hence premiums and indemnities were to be determined in terms of the volume of the commodity. During a five years period, about 2,000,000 wheat and cotton farms were insured and indemnities for crop failure were paid in respect of more than 600,000 farms. The financial results of the experiment were not as good as originally anticipated. Some of the problems encountered were : adverse selection of risks, over-insurance where reliable records of production for farm were not available, difficulty in segregating losses due to avoidable causes from losses due to unavoidable causes ; and difficulty in obtaining uniform, enthusiastic and yet conservative administration in some 2,300 counties. Though the programme of crop insurance has been temporarily

suspended, the Department of Agriculture is fully aware of the important place crop insurance occupies in the economy of farmers. It is, therefore, already engaged in evolving another workable scheme for crop insurance for the benefit of the farmers in the country.

31. Crop insurance in India in the present circumstances appears in our opinion beyond the scope of private agencies or co-operative organizations, firstly by reason of the lack of reliable statistical data and secondly because of the inability of the peasantry to bear the incidence of its cost. At the same time we believe that some scheme will have to be devised in course of time to protect the agricultural classes from the risk occasioned by the loss of their crops to which they are at present exposed. Profiting by the experience gained in the United States, we recommend that a scheme of crop insurance should be undertaken experimentally by the State. The nature, size and scope of each experiment should be determined by statistical experts who have experience of crop estimating. The funds required for these experiments should be estimated in consultation with agricultural and actuarial experts and provided by the Central Government. We believe that the War Risks Insurance (Goods) Fund of the Government of India which is estimated to amount to over Rs. 21 crores provides a useful source for meeting the cost of these experiments. This fund has been built up out of the premiums paid by merchants and others who were holding, among other goods, heavy stocks of agricultural commodities. These merchants must have calculated the war risk insurance premium as a part of their ordinary costs. The insurance premium was therefore a part of the charges between the producer and the consumer and the bulk of it was reflected in a lower return to the producer. It seems to be legitimate, therefore, to claim that this fund should be used directly for the benefit of the producer.

CHAPTER XV

ADMINISTRATION AND LAW.

Administration. Introductory.

The Co-operative movement in India owes its origin to the initiative of the State and its development has been made the special responsibility of the Registrar of Co-operative Societies, who has been, for this purpose, equipped with powers and provided with the staff necessary to execute his functions. It was hoped that in course of time, co-operators would come forward to assume increasing responsibility in the organization and working of the movement and would ultimately make it independent of official control. This hope, however, has not been realized for a variety of reasons. Although the Co-operative movement was the best agency through which the development departments of the Government should have approached the masses, these departments worked in almost complete isolation, with the result that even the small available State effort was not properly canalized for the benefit of the people. Nor was the Co-operative Department itself adequately staffed or properly equipped to co-ordinate such non-official effort as was forthcoming with its own activities. If the movement is to be developed on comprehensive lines and is to make proper contribution to the economic development of the country and the raising of the standard of living of the people, the essential requirements, *inter alia,* are the equipment of the Co-operative Department in each province with adequate and right type of personnel, the increasing participation of non-officials in the movement and the forging of a link between the non-officials and the State represented by the Department of Co-operation and other nation-building departments.

We feel that the time has arrived when the Co-operative movement should function more and more on the principles of self-help. Towards this end, steps should be taken to make it autonomous at an early date.

Constitution and equipment of the Co-operative Department.

2. The Co-operative Department should be properly equipped not only for discharging efficiently its present duties but also for undertaking the increased responsibilities placed on it by the plans of development proposed by us. At present the Department is administered by the Registrar with the assistance of one or more Joint Registrars or Deputy Registrars (Gazetted Officers—Class I), a number of Assistant Registrars (Gazetted Officers—Class II) and subordinate officers known variously as inspectors, co-operative sub-registrars, auditors, district co-operative officers, etc., in different provinces. A recent development is the appointment, in some provinces, of special officers

for looking after the financial aspect of the movement, such as the Financial Adviser in the Punjab, the Assistant Registrar for Finance in Bombay and the Banking Expert in Bengal and in Bihar. In some provinces, special officers have also been appointed for activities such as marketing, land mortgage banking and industrial co-operation and for women's societies. We suggest that it will be an advantage if the corresponding officers in all provinces are, as far as possible, uniformly designated.

3. The Registrar occupies a pivotal position in the movement. The Maclagan Committee and the Royal Commission on Agriculture have prescribed very high qualifications for him. In the new scheme of co-operative development proposed by us in this Report, the importance of his role will be considerably increased. We, therefore, consider it essential that special care should be exercised in his selection. He should not only be a man of outstanding ability but should also be temperamentally suited for the work of running a popular movement of this kind. Before he assumes charge of the post of the Registrar, he should undergo a thorough training and should work for at least two years as Deputy or Joint Registrar. During the course of his training as well as during his tenure of office he should be allowed opportunities to study the working of the movement in other provinces and outside India. The Registrar should ordinarily be an officer of the Indian Civil Service or the Provincial Co-operative Service. In view of the responsible nature of the duties of the Registrar, he should enjoy a higher status than he does at present ; in our opinion he should rank with the heads of such departments as Police and P.W.D. for general purposes. He should also have a longer term of office than at present. In this connexion the Royal Commission on Agriculture recommended that a Registrar, once appointed and proved efficient, should hold that office for at least five years, on the assumption that he had already had two years' service as Assistant or Joint Registrar. We observe that in some provinces Registrars are changed at short intervals. The work in connexion with the Co-operative movements is becoming increasingly technical and it is necessary that sufficient time should be given to the Registrar to study it and to formulate and execute policies. In our opinion, therefore, his tenure should be for about ten years. As such a long term of office is likely to make the officer senior enough to be due for promotion to posts carrying higher emoluments, we recommend that he should be fully compensated for holding the post till the end of the term.

4. " In order to infuse new life into the societies, to introduce the various reforms we have suggested and to secure the growth of the movement on right and sound lines a highly progressive, efficient and well-trained staff is a vital necessity.*" We cannot lay too much emphasis especially in view of the large-scale

* Statutory Report of the Reserve Bank of India.

developments that we are recommending, on the need for the proper training of the staff of the Co-operative Department. We have discussed this subject in the Chapter on Education, Training and Research. In order to attract persons of high qualifications to the Department, we suggest that officers of the Co-operative Department, should enjoy the same status and draw pay on the same scale as officers of the Revenue Department.

Functions of the Co-operative Department—organization and supervision.

5. The work of the Co-operative Department falls under the broad heads of organization and supervision, inspection and audit of societies, and general administration. Organization of new societies is undertaken in some provinces by the departmental staff and in others by the non-official agencies organized for supervision work. Honorary organizers also are appointed in some provinces, but of late their number has been steadily decreasing. We recommend that the work of organizing new societies should also be entrusted to the organization suggested for supervision in para. 6. The greater the association of non-official workers in the organization of new societies, the better will be the chances for new societies taking root and growing. In this connexion, we are of the opinion that the practice of appointing honorary organizers should be more actively followed so that popular enthusiasm and local leadership may be harnessed to the service of the movement.

As regards supervision, different systems have been evolved in different provinces. The work is undertaken by the Co-operative Department or by the non-official agencies such as local supervising unions with or without district and provincial supervising boards or by regional and provincial institutes or by financing agencies. In the United Provinces and the Punjab, provincial unions undertake supervision of the societies and engage the necessary staff for the purpose. The income of the unions is drawn from contributions from the societies and grants from the Government. The supervisors work under the departmental staff. In Bombay, the machinery for supervision comprises local supervising unions, district boards of supervising unions, and the Provinical Board of Supervision. The district boards are federal organizations of the local supervising unions, and the Co-operative Department and the financing banks have their representatives on them. The Provincial Board is composed of the Registrar, who acts as chairman, Chairman of the Provincial Co-operative Bank, Chairman of the Bombay Provincial Co-operative Institute and a representative of the district supervisory boards nominated by Government. The Provincial Board co-ordinates and systematizes supervision and is empowered to hear appeals against the orders of the district boards and to approve their budgets. The expenses of supervision are met out of contributions from societies and financing institutions and grants from Government. The Government of Bombay have announced recently their intention of bearig the entire cost of supervision. In Sind, the machinery

for supervision is the same as in Bombay, and the expenses of supervision are met out of supervision fees charged from societies and subsidies received from the Sind Provincial Co-operative Bank and Government. In Madras, the supervision of a large majority of the societies is in the hands of the local supervising unions, whose activities are co-ordinated by the central banks concerned. The expenses of supervision are met from fees paid by the societies and contribution from the central bank. In some areas, the central banks undertake the supervision of the societies affiliated to them, through their own staff. In the Central Provinces, supervision is undertaken by four divisional co-operative institutes in association with the central banks which are affiliated to them. The staff of supervisors, though employed by the institute, works under the education and supervising committees consisting of representatives of central banks and societies. The income of the institute consists of contribution from societies and central banks and grants from Government. In Berar, Bihar, Orissa, Bengal and Assam, supervision is undertaken by central banks. They employ a staff of supervisors and meet the cost from their own funds. On account, however, of unsatisfactory financial condition of the central banks in these provinces and consequently their inability to maintain an efficient and adequate staff, the work of supervision was far from satisfactory in the past, but is now reported to be improving. In North-West Frontier Province supervision is undertaken by the departmental staff.

6. From this brief survey of the systems of supervision obtaining in the various provinces, two types emerge as being most popular. The first type is a federation of co-operative societies, formed for a province and maintaining an adequate and efficient staff. Such a federation derives its income from contributions from societies and subsidies from Government. This type of organization gives adequate representation to co-operative societies, which are to be supervised and conforms to the co-operative ideal of mutual help. It also brings the supervising staff under a provincial cadre and assures to them prospects of promotion, security of service and provident fund. We are, therefore, of the opinion that this type of provincial co-operative federation for the supervision of co-operative societies is the most desirable one. Government should provide it with subsidies, large enough to enable it to meet its expenses without levying unduly heavy contributions on the societies which may lead to an enhancement of the lending rate to the ultimate borrower above 6¼ per cent. In the present circumstances, as the majority of co-operative societies are not properly developed, and as we are contemplating a rapid programme of expansion, the entire cost of supervision in many areas may have to be borne by Government. With a view to providing increased representation for co-operative societies and with a view to improving administrative efficiency, it is desirable that the federation should decentralize its functions and entrust them to local units constituted for convenient areas. These units may

either be branches of the federal body or they may themselves be the primary units which may be federated together into the provincial federation. Where an institute or federation or union exists and is or can be constituted on the lines discussed in this paragraph, it should be entrusted with the work of supervision.

The second system of supervision over co-operative societies is the one in which central banks themselves supervise affiliated co-operative societies. This is open to the criticism that the financier's interest is likely to preponderate over the interests of societies which are to be supervised, and may therefore lead to their decay. This criticism of combining supervision and finance in one and the same institution however loses its force when the financing institution itself consists largely of representatives of societies to be supervised, as in Madras, where two-thirds of the representatives on the board of management of a central co-operative bank consist of representatives of societies and where even the remaining one-third is elected to the board by share-holders including representatives of societies. Under such a system, the central banks have, in addition to the executive committees, organized administrative sections or committees of supervision and appointed executive officers to be in charge of them. The object of the administrative section or committee of supervision is to develop, assist and co-ordinate the work of supervising unions under which primary credit societies have been grouped and to control the supervising staff. The funds required are contributed by affiliated societies and the central bank concerned and the supervising staff work under the supervising unions subject to ultimate control by the central bank. We recommend that this system may be adopted in provinces which find it suitable. In such cases, the subsidies from Government which we have recommended for the provincial co-operative federation, should be given to the central banks which undertake the supervision.

Inspection.

7. The inspection of co-operative societies is in a majority of provinces undertaken by the Co-operative Department and a separate staff for this purpose is usually employed by it. The function of inspection is performed at present by the Registrar in most of the provinces. We are of the opinion that the function of inspection should continue to be performed by him as it will also help him to keep in close touch with the working of the movement ; but as the movement develops and non-officials are trained to undertake increased responsibility the function of inspection should also be gradually transferred to non-official bodies.

Audit.

8. The audit of all societies once a year is the statutory duty of the Registrar, and, in most provinces the work is carried out by a special staff employed by the Co-operative Department. For instance, in Bombay, the Department employs a staff of special auditors, auditors and sub-auditors, the special auditors being entrusted with the audit of the provincial and central

banks and major societies and the auditors and sub-auditors with that of the smaller societies. The audit in Madras, Bengal and North-West Frontier Provinces is also carried out by the departmental staff. In the Central Provinces and Berar, while larger societies are audited by departmental circle auditors, the audit of smaller societies is undertaken by society auditors who are appointed by and work under the control of the Registrar, and are paid out of an audit fund but are not Government servants. In the Punjab, the work is entrusted to the Co-operative Union and the audit staff is employed and maintained by it. In Bihar, with the exception of the Chief Auditor who is a gazetted officer of the Department, the audit staff was employed by the Co-operative Federation. In 1938 the audit staff of the Federation was taken over by the Government. In some of the provinces, *e.g.*, North-West Frontier Province and certain parts of the Punjab, the functions of audit and supervision are not separate and are performed by the same person. In most of the provinces, professional auditors are appointed to audit the accounts of provincial co-operative banks, central co-operative banks and other big institutions. Audit is one of the statutory duties of the Registrar and we recommend that it should remain so. We are, however, of the opinion that the Registrar may delegate this function to non-official federations or institutes already referred to in para. 6 above. These federations or institutes should maintain a staff of duly qualified auditors as in the Punjab, Bihar and other provinces for the smaller societies. For the larger societies and central banks the Registrar may assign the audit to auditors placed by him on a panel. The practice of combining the functions of audit and supervision in one person is undesirable as it is likely to lead to inefficiency. If the person who supervises the working of a society also audits its accounts many defects in its working are likely to remain undetected. The classification of societies should not be published in the official gazettes.

9. As regards general administration, the fact cannot be too strongly emphasized that the ultimate objective of the Co-operative movement must remain its freedom and autonomy. We, however consider that in order to ensure the implementation of the plans of development recommended by us, a certain increase in Government supervision is inevitable in initial stages. We wish to make it clear that we visualize this control purely as a temporary expedient and are thoroughly of the opinion that it must be so exercised as gradually to disappear. As the movement is of the people and for the people and must be run ever more and more by the people themselves, it is necessary to indicate that the sponsoring of the movement by the State is meant only to assist, guide and train up the workers and not to establish permanent control over the movement.

10. The most important requisite for the development of the movement and for giving it stability and permanence is, however, the stimulation of interest among the people in order to make them run it themselves. The Department should, therefore, encourage non-officials to participate in the development of the movement with a view ultimately to handing over the entire working of societies to them. In this connexion, we would like to refer to the non-official bodies, the provincial co-operative institutes or unions existing almost in every province, which have been organized for the purpose of propaganda, education and expression of non-official co-operative opinion. In some provinces, such as the Punjab, they also perform the duties of supervision and audit. We suggest that these institutions should be greatly strengthened so that they may be able to perform more efficiently the important functions of educating and organizing non-official opinion and providing an effective medium for the expression of public opinion and generally promoting the common interests of the movement. The institute should be a non-official federal body ; but it should be liberally subsidized by the State to enable it to perform its functions.

Importance of non-official workers and Provincial Co-operative Institutes.

11. Another requisite of co-operative progress is the establishment of a living link between the non-officials and the State represented by the various nation-building departments. We have already suggested in Chapter II that the success of co-operative development depends upon the State giving up the policy of laissez-faire, and taking an active part in the economic development of the country. We have also stated that no plan of the State will succeed unless it is supported by the people. The State will therefore require an organization which will continuously prepare projects of economic development and devise co-operative methods for their implementation. Such an organization should include the best and most constructive elements in the province, and establish close and continuous association between Government officers in the nation-building departments, co-operative workers and leading non-officials. We propose that every province should provide itself with such an organization by setting up a body, which may be known as the Provincial Co-operative Council, on the following lines. The Council should be under the chairmanship of the provincial Minister-in-Charge of Co-operation, the duties of Secretary being discharged by the Registrar of Co-operative Societies with the assistance of a full-time Assistant Secretary. The Assistant Secretary should be an officer of the status of a Joint Registrar, or any other person who has had long experience of the Co-operative movement. As regards its membership, we are of the opinion that non-officials should be in a majority. We suggest that the official members should include the Registrar of Co-

Provincial Co-operative Council—Its constitution and functions.

operative Societies, the Registrar of Industrial Co-operative Societies and Director of Small Industries, Deputy Registrars or Assistant Registrars of Co-operative Societies not exceeding five, and four of the following :—

Director of Agriculture,

Director of Animal Husbandry,

Chief Marketing Officer,

Director of Planning or Director of Rural Reconstruction,

Director of Public Instruction,

Electricity Officer,

Director of Public Health,

Chief Engineer (Civil),

Chief Engineer (Irrigation), and

A Representative of the Services (Army, Navy and Air Force).

The non-official members should include the Chairman (or if a Chairman is an official, a non-official representative), of the Provincial Co-operative Institute, the Provincial Co-operative Bank, the Provincial Land Mortgage Bank, the Provincial Marketing Society, the Industrial Federation or Promotional Agency, the Provinical Consumers' Society and the Provincial Insurance Society, not more than 20 representatives of primary societies, two representatives of the Legislative Assembly and one representative of the Legislative Council, an Economist, preferably a Professor of Agricultural Economics at a university, and not more than five persons with special qualifications nominated by the Minister of Co-operation. We append a statement containing a summary of the suggestions in regard to the constitution of the Council at the end of the Chapter.

The functions of the Provincial Council will be to formulate plans and policies for the development of the movement in the province and to initiate and approve of experiments on subjects relating to Co-operation. It will meet twice a year or oftener, if necessary. In our opinion there should be an executive committee consisting of the following :—

(i) Minister-in-Charge of Co-operation (Chairman),

(ii) Registrar of Co-operative Societies,

(iii) Registrar of Industrial Co-operative Societies and Director of Small Industries,

(iv) Finance Secretary,

(v) One of the five co-opted members, and

(vi) Two members to be elected by the Council from among its members.

The entire funds required by the Council should be provided by the provincial government. It will need funds to meet its

recurring expenditure and to make grants and subsidies to co-operative institutions organized for special activities or undertaking special work such as co-operative farming, cattle breeding, etc., at the instance of the Council. These grants and subsidies will be in addition to those administered at present by the Registrar of Co-operative Societies. The grants will be given on the recommendation of the executive committee. We recommend that for the first five years the provincial government should grant to the Council a sum of Rs. 5 lakhs per annum for making these subsidies. In subsequent years, the financial requirements of the Council should be provided for in a budget which should be submitted for the sanction of Government.

All-India Council of Co-operation —Its constitution and functions.

12. We are further of the opinion that there should be co-ordination of effort between officials and non-official agencies and also among the various development departments of the State on an all-India basis. With this object in view, we suggest the setting up of an All-India Council of Co-operation. The Council will consist of two parts, a Governing Body which will have the management of all the affairs and funds of the Council, and an Advisory Board, which will advise the Governing Body on all proposals sent by it.

The Governing Body should consist of the Hon'ble Member-in-Charge of Co-operation who will be ex-officio Chairman ; the Principal Administrative Officer of the Council (a whole-time paid employee) who will be ex-officio Vice-Chairman, a permament Secretary, Ministers-in-Charge of Cooperation in the provinces and constituent Indian states, the Secretary of the Department of Agriculture of the Government of India, another Secretary to the Government of India, Agricultural Marketing Adviser to the Government of India, two representatives of the Central Legislative Assembly, one representative of the Council of State, a representative each of the Imperial Council of Agricultural Research, the Reserve Bank of India, the All-India Co-operative Banks Association, All-India Co-operative Institutes Association, the Defence Services, two representatives elected by the Advisory Board, and such other persons as the Governor-General-in-Council may from time to time appoint, and two full-time paid officers emloyed by the Council as experts in agricultural co-operation and industrial co-operatives. The Advisory Board should consist, in addition to the members of the Governing Body, of the provincial Registrars of Co-operative Societies, provincial Registrars of Industrial Co-operative Societies, two representatives of each Provincial Co-operative Council, one representative of the Inter-University Board, one representative of the Indian Economic Association, one representative of the Indian Society of Agricultural Economics, and one representative of the Defence Services.

The functions of the All-India Council of Co-operation would be generally to watch, guide and foster co-operative development in the country and to advise the different provinces and states on various matters relating to agricultural co-operation, industrial

co-operation and co-operative marketing, etc., and on the applicability of co-operative methods for carrying out schemes of improved farming, cattle-breeding, etc., that may be suggested by the Imperial Council of Agricultural Research or by the Indian Central Cotton Committee and similar bodies. It will also work as a clearing house of information for the country on all matters relating to the Co-operative movement.

The working cost of the Council will approximately be Rs. 1.77 lakhs per annum as shown at the end of the Chapter. It will also require funds for making grants to the provinces for encouraging experiments and development of new types of co-operative activities. We recommend that a sum of Rs. 20 lakhs may be placed at its disposal by the Government of India for the first five years, and that the amounts to be placed at its disposal in subsequent years be determined in the light of the experience gained from year to year.

Co-operative Law—Recommendations.

13. The organization and working of co-operative societies in many provinces is still being regulated by the Co-operative Societies Act of 1912. The provincial governments under the Reforms Act of 1919 were empowered to pass their own legislation with regard to Co-operation, and some of the provinces, namely, Bombay, Madras, Bengal, and Bihar, took advantage of this power and passed separate Acts. The experience of the working of the Cooperative Societies Act of 1912 and the Acts passed by the provinces has, however, shown that they stand in need of revision in certain respects. In view of the important developments in the cooperative movement which we are recommending, it is necessary that the defects in the laws should be removed so as to facilitate the smooth working of the plans. We recommend that the provinces in which the Co-operative Societies Act, 1912, is still in force should pass special acts keeping in view their past experience and the future needs of the movement. The provinces which have already special acts should examine their provisions and bring them up to date. The provincial governments should also examine other acts which have a bearing on the Co-operative movement and amend them suitably. Where such an act falls within the legislative jurisdiction of the Central Government, they should take necessary steps to amend it. In this Report, we refer only to a few important amendments, inclusive of those which arise out of the recommendations made by us.

(i) The definition of the word 'Registrar' in Section 2 of the Co-operative Societies Act, 1912, should include the Registrar of Industrial Cooperative Societies and Director of Small Industries.

(ii) Section 4 of the Act provides that, unless the local government by a general or special order otherwise directs, the liability of a primary credit society of which the majority of the members are agriculturists shall be unlimited. In view of the

considerations set forth by us in Chapter III, we suggest that a society may adopt limited or unlimited liability. Again, a provision should also be made in the Act enabling societies to change their liability. This has been provided for in Madras (Section 5 of the Madras Act) and Bengal (Section 43 of the Bengal Act).

(iii) The 1912 Act does not provide any right of appeal against the decision of the Registrar refusing to register a society. We feel that a specific provision for appeal against such refusal should be made in the Act as is the case with regard to an order cancelling the registration of a society. This has been done in Section 10 of the Madras Act and Section 64 of the Bombay Act.

(iv) The 1912 Act gives unlimited powers to the Registrar to reject amendments to the by-laws of a registered society. We are of opinion that he should ordinarily register all amendments which are in conformity with the Act and Rules. In cases where he rejects an amendment he should assign reasons therefor and an appeal to Government may lie within two months after the rejection which shall be intimated by registered post.

(v) The extension of the activities of a primary society visualized in Chapter III may necessitate the amalgamation of two or more neighbouring societies into one. The 1912 Act makes no provision for such amalgamation of societies nor does it provide for splitting a society into two or more societies. (Provision for split exists in some cases under the by-laws of a society but that is not a very satisfactory arrangement). Societies have, therefore, to be first liquidated before a split or amalgamation can be made. This is obviously undesirable and we therefore propose that a specific provision be made for splitting a society into two or more societies and also for amalgamating two or more societies into one without having to liquidate them first. A simpler procedure than that prescribed by Section 13 of the Madras Act and Section 15 of the Bombay Act should be laid down as has been done in Bengal.

(vi) In certain societies of the limited liability type, members are permitted to have votes in proportion to the shares held by them. This is not desirable as there is a danger of a few big men controlling the society. We suggest that Section 13 of the Act should be amended so as to provide that every member of a society (whatever its liability) shall have one vote irrespective of the shares held by him. In the case of societies which have an extensive area or large membership a representative assembly may be constituted composed of delegates elected in separate constituencies of members set up on a regional basis or according to the number of members.

(vii) Section 19 gives a lien to a cooperative society on certain properties of the borrower. We suggest that the lien should be converted into a first charge and its wilful breach

should be made a criminal offence. Again, the lien in respect of loans granted for seed or manure, extends up to eighteen months. In our opinion this period is inadequate and we suggest that it should be extended to two years.

(viii) Under Section 23 of the 1912 Act the liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member continues for a period of two years from the date of his ceasing to be a member. Under Section 24 of the Act the estate of a deceased member, however, is only liable for a period of one year from the time of his decease for the debts of a registered society as they existed at the time of his decease. Experience shows that the period of one year is too short and it is therefore proposed that it should be extended to two years as has been done in Madras (Section 25 of that Act). Similarly, it should be clearly laid down that from the date of cancellation of a society the liability of all members remains as it existed at the time of cancellation and cannot be extinguished by lapse of time. A member who resigns from the society 1½ years before its liquidation should not be permitted to escape all liability six months later as he would have done had the society not gone into liquidation. All the members of the society on the date of cancellation will continue to be liable for its outside liabilities till they are discharged. Similarly, all persons who ceased to be members less than two years before the date of cancellation will continue to be liable for the outside debts of the society. In actual practice the existing law is found defective and it is therefore necessary to make these changes in the interest of the societies. (Please see Section 29 of the Bombay Act.)

(ix) Urban banks in some of the provinces have developed satisfactorily. We recommend that the law should be amended so as to allow urban banks with a paid up capital and reserve of Rs. 50,000 and over and with ten years' standing to invest up to 40 per cent of their surplus funds in such manner as their boards may unanimously determine.

(x) At present if any dispute arises whether a person is or is not a member of a registered society the member concerned generally goes to a civil court and this leads to lengthy and expensive litigation. It is, therefore, necessary to provide for a proper membership register in a society and further that any dispute about a person being or not being a member of the society shall be referred to the Registrar for decision and that his decision shall be final. We should also provide that no dispute of this nature will be cognizable by a civil court.

(xi) At present a liquidator cannot be appointed immediately after the order cancelling the registration of a society and this has to wait till an appeal, if any, is dismissed. This takes time with the result that the old committee continues to mismanage the affairs of the society. It is, therefore, necessary to provide

for the appointment of a liquidator to manage the society's affairs till the appeal against the cancellation order is rejected or accepted. This has been done in Sections 47 and 49 of the Bombay Act.

(xii) At present the powers of a liquidator are not adequate. For example, he has no power to compromise or make arrangements with creditors and debtors. Similarly it is doubtful if under the existing Act the liquidator has the power of issuing subsidiary orders determining the contributions to be made by members from time to time. These powers should, therefore, be given to him. In the provisions regarding liquidation in the 1912 Act there is no reference to deceased members and their heirs. According to Section 24 of the Act their estates are liable for the debts as they existed at the time of their death. The liquidator cannot therefore pass orders for contributions by them. A liquidator should also be authorized to carry on the business of the society while under liquidation as otherwise serious loss may be caused, *e.g.*, a printing press or a transport society.

(xiii) In the Bombay and Madras Acts provision has been made for an appeal against the liquidator's orders. It is felt that if such provision is made at every stage it will cause great delay in liquidation proceedings. On the other hand absence of a provision for appeal may cause serious injustice. We, therefore, propose that no liquidator should determine the contribution, debt or dues to be recovered from any person, without giving him an opportunity to be heard.

(xiv) Civil courts rarely attach property before giving a decree. This is still more so in cases where an award of a co-operative society is filed in a court for execution. It often happens that a person against whom an award has been given, disposes of his property with the result that little or nothing is recovered. It is therefore necessary to provide for attachment before award. The attachment should be by order of the Registrar. This has been done in Section 50 of the Madras Act and Section 55 of the Bombay Act.

(xv) At present great difficulty is felt in recovering money through civil courts to whom all awards and liquidator's orders are sent for execution. It is the general experience that this results in great delay as well as in failure to make recoveries. Section 59 of the Bombay Act provides for dues of co-operative societies being recovered as arrears of land revenue. In Madras the Registrar and his officers have been given powers of civil courts and have their own agency for recoveries. The system in Madras has, we understand, been on the whole successful. In Bengal, dues of co-operative societies are recovered as public demands by certification under Section 130 of the Act and the third schedule to the Act. It is felt that in some provinces, *e.g.*, the Punjab the position is very difficult on account of various provincial acts and therefore we recommend that as a general

rule the Registrar and his officers should either be given powers of civil courts or in the alternative, dues of co-operative societies should be recovered as arrears of land revenue. In the latter case the Collectors should be asked to depute special officers for this work in order to expedite recoveries.

(xvi) Under the existing Act a provision exists for appeals against an award of an arbitrator but at times people do not appeal on account of their ignorance, etc. It is therefore, necessary in the interest of justice to give the Registrar power to call for the record of any case pending before or disposed of by any arbitrator or arbitrators and pass such orders as he thinks fit. Full opportunity to the parties must, however, be given before any such order is passed. In cases where such action is being taken, the Registrar may order the court in which such an award is pending for execution, to stay the execution proceedings and may call for the file of the case.

(xvii) At present civil courts have a tendency to claim jurisdiction in regard to cases of co-operative societies and it is often difficult to fight these cases. It is, therefore, necessary to clear the position and to lay down definitely that no civil court can entertain any case regarding the affairs of a co-operative society except on the question of jurisdiction.

(xviii) The question whether the Indian Limitation Act applies to awards of arbitrators under the Co-operative Societies Act is not free from doubt. The question should be examined and the law on the point made clear.

(xix) In almost all provinces legislation has been passed for relief of indebtedness, conciliation of debts, regulation and licensing of money-lenders, redemption of mortgages, etc. The operation of such legislation has affected or is likely to affect adversely the financial position of co-operative societies and the Co-operative movement. We are of the opinion that this should be prevented and a distinction drawn between co-operative credit which has always been regulated and supervised by the State and the tansactions of money-lenders which have not been so regulated. Such a distinction is all the more necessary because the co-operative agency is expected to play an ever-increasing part in supplying credit to the agriculturist. We, therefore, strongly recommend that the position should be examined by each province, and co-operative societies should as far as possible be exempted from the provisions of different provincial acts in order to enable them to play their legitimate part in the economic life of the country.

(xx) Owing to the constitutional changes introduced in India in 1935 and certain notifications of the Government of India, the validity of certain exemptions hitherto enjoyed by co-operative societies in respect of stamp duty and registration fees, has become highly doubtful. The position should be examined in each province and steps taken to ensure complete exemption to the societies from stamp duty (whether leviable

by the Central or provincial government) and registration fees. Provincial governments should refund to primary societies 75 per cent. of the money order charges paid by them in regard to remittances to their co-operative financing institutions. This concession is necessary to keep down the expenses of the societies with a view to enabling them to advance loans at a rate not exceeding 6¼ per cent.

(xxi) Section 60 of the Civil Procedure Code, as amended by Act No. 5 of 1943, mentions property that is liable to attachment and sale in execution of a decree and also mentions certain property which is exempt from such attachment. Salary to the extent of the first 100 rupees and one-half of the remainder is so exempt. There is a further restriction as regards attachment of salary of servants of the Crown or servants of a railway company or a local authority. This exemption has adversely affected the work of many societies among salary-earners, particularly of societies in Government and other offices. Thrift and financing of members are the two primary objects of these societies. With these restrictions on attachment of salary many of the societies are unable to finance such members as have salaries of less than Rs. 100 except against the security of their deposits. We agree that some protection to the small salary-earners is required, but feel that it should not be necessary to exempt such salaries from attachment if the dues are of a co-operative society of such salary-earners.

There is, of course, no objection to a member authorizing his employer to deduct a part of his salary even if it is below Rs. 100 in order to pay the instalment on his loan or in order to pay the bill of a consumers' store of which he is a member and from which he has bought goods. Such authority by such a member, however, cannot be enforced in a court of law. The reason for this is that an attachment of salary below Rs. 100 is not permitted, any agreement by a person to contract himself out of such exemption is not valid, being against the policy underlying such exemption. It, therefore, becomes extremely difficult for many consumers stores to sell goods on credit to members drawing less than Rs. 100 p.m. as even if they furnish agreements as aforesaid there is nothing to stop them from revoking such agreements later. These consumers' stores are largely meant for small people and under the existing position of the law as given in the Civil Procedure Code and rulings of different High Courts, the work of these stores has become extremely difficult. We are, therefore, of the opinion that salary-earners' societies and consumers' stores should be exempted from the operation of this provision of law. We also suggest that the Act should be amended on the lines of the amendment made in Bombay whereby if a member executes an agreement in favour of the society authorizing his employer to make deductions from his salary towards payment of the debts or other demands owing to the society, the employer is bound to make such deductions till the loan is fully repaid or the demand of

the society satisfied. (See Section 24-A of the Bombay Co-operative Societies Act, 1925, as amended by Act No. XXIX of 1942).

(xxii) If some landowners who are likely to benefit by the scheme of minor irrigation works (recommended in para 2 (viii) of Chapter III) of a society refuse to join the latter, the Collector of the district should be empowered to make a proportionate levy of the cost on them and recover the same as arrears of land revenue.

(xxiii) The maximum period for rediscounts under Section 17 (2) (b) of the Reserve Bank of India Act is nine months and that for advances under Section 17 (4) (c) and Section 17 (4) (d) of the Act is ninety days. These periods are insufficient to enable the Co-operative movement to take much advantage of the finance available from the Reserve Bank. We recommend that the Act should be amended so as to increase maximum period under these three sub-sections to twelve months.

(xxiv) The word "crops" occurring in the three sub-sections of the Reserve Bank of India Act referred to above is not defined in the Act and is interpreted by the Reserve Bank in the light of its dictionary meaning as "produce of cultivated plants especially cereals, entire hide of animal tanned." We recommend that the word "crops" should be defined in the Act or the scope of the sections widened so as to include animal products like milk, cream, butter, ghee and wool, and processed crops like sugar, cotton which has been ginned and pressed, groundnuts which have been decorticated, and vegetable oils and oil-cake.

(xxv) Section 17(2) (a) of the Reserve Bank of India Act should be amended so as to empower the Bank to give financial accommodation to provincial co-operative banks for a period up to twelve months for making loans and advances to industrial co-operatives.

STATEMENT I

Constitution of the Provincial Co-operative Council

Minister-in-Charge of Co operation—ex-officio Chairman	1
Two Representatives of the Legislative Assembly	2
One Representative of the Legislative Council	1
Registrar of Co-operative Societies—ex officio Secretary assisted by a full time Assistant Secretary	1
Registrar of Industrial Co-operative Societie and Director of Small Industries	1
Four of the following :—	
Director of Agriculture Director of Animal Husbandry Chief Marketing Officer } *Contd. on p. 171.*	

Director of Planning or Director of Rural Reconstruction Director of Public Instruction Electricity Officer Director of Public Health Chief Engineer (Civil) Chief Engineer (Irrigation) A Representative of the Services (Army, Navy and Air Force)	*Contd. from p 171*
Deputy Registrars or Assistant Registrars	5
Chairman* of the Provincial Co-operative Institute	1
" " " " " Bank	1
" " " " Land Mortgage Bank	1
" " " " Marketing Society	1
" " " " Industrial Federation or Promotional Agency	1
" " " " Consumers' Society	1
" " " " Insurance Society	1
Representatives of primary societies	20
One Economist, preferably a Professor of Agricultural Economics of a university	1
Persons with special qualification to be nominated by the Minister-in-Charge of Co-operation	5
	48

* If a Chairman is an official, then a non-official representative.

Estimate of Cost of the Provincial Co-operative Council.

1. *Asst. Secretary.*
   Monthly salary Rs. 1,000
   Cost = Rs. 1,000 × 12 — *Rs. 12,000*
2. *Three Officers.*
   Monthly salary Rs. 500
   Cost = Rs. 500 × 3 × 12 — *Rs. 18,000*
3. *Senior Assistants*—6.
   Monthly salary Rs. 200
   Cost = Rs. 200 × 6 × 12 — *Rs. 14,400*
4. *Junior Assistants*—6.
   Monthly salary Rs. 100
   Cost = Rs. 100 × 6 × 12 — *Rs. 7,200*
5. *Office Establishment.*
   Superintendent—1
   Monthly salary Rs. 250
   Cost = Rs. 250 × 12 Rs. 3,000
   Total cost of Establishment — Rs. 3,000
6. Meetings : No. of meetings per year—4
   No. of non-official members to whom travelling and daily allowance has to be paid 36
   First class travelling allowance per member plus daily allowance of Rs. 15 per day for 2 days (probable duration of a meeting) .. .. .. } Rs. 100+ Rs. 30
   Rs. 130
   Cost = Rs. 130 × 36 × 4 — Rs. 18,720

TOTAL .. Rs. 73,320

STATEMENT II

Constitution of the All-India Council of Co-operation.

Constitution of the Governing Body.

Member-in-Charge of Co-operation—ex-officio Chairman	1
Principal Administrative Officer—ex-officio Vice-Chairman	1
Two Representatives of the Central Legislative Assembly	2
One Representative of the Council of State	1
Permanent Secretary	1
Ministers-in-Charge of Co-operation :	
(*a*) Provinces	11
(*b*) Constituent Indian States	5
Secretary of Department of Agriculture	1
Another Secretary to the Government of India	1
Representative of the Imperial Council of Agricultural Research ..	1
Agricultural Marketing Adviser to the Government of India	1
Representative of the Reserve Bank of India	1
Representative of the All-India Co-operative Institutes' Association ..	1
Representative of the All-India Co-operative Banks' Association ..	1
Representative of the Defence Services (Army, Navy and Air-Force) ..	1
Representatives elected by the Advisory Board	2
Permanent Officers of the Council	2
	34

Advisory Board.

Members of the Governing Body	34
Provincial Registrars of Co-operative Societies	11
Provincial Registrars of Industrial Co-operatives	11
Two Representatives of each Provincial Co-operative Council	22
One Representative of the Inter-University Board	1
One Representative of the Indian Economic Association	1
One Representative of the Indian Society of Agricultural Economics ..	1
One Representative of the Defence Services	1
	82

ESTIMATE OF COST OF THE ALL-INDIA COUNCIL OF CO-OPERATION.

1. *Chief Administrative Officer.*
   Monthly Salary : Rs. 3,000
   Cost : Rs. 3,000 × 12 .. .. Rs. 36,000

2. *Secretary.*
   Monthly Salary Rs. 1,500
   Cost : Rs. 1,500 × 12 .. .. Rs. 18,000

Permanent Officers—2.

Monthly salary : Rs. 2,000

Cost : Rs. 2,000 × 2 × 12 — Rs. 48,000

Junior officers—4.

Monthly salary : Rs. 800

Cost : Rs. 800 × 4 × 12 — Rs. 38,400

Office Establishment.

(a) *Superintendent*—1.

Monthly salary : Rs. 500

Cost : Rs. 500 × 12 — Rs. 6,000

(b) *Assistant Superintendent*—1.

Monthly salary : Rs. 250

Cost : Rs. 250 × 12 — Rs. 3,000

Total cost of Establishment .. — Rs. 9,000

Meetings.

(a) *Governing Body.*

No. of meetings per year

No. of non-official members to whom travelling and daily allowance has to be paid

First class travelling allowance per member plus daily allowance of Rs. 15 per day for 2 days (probable duration of a meeting). — Rs. 300 + Rs. 30 = Rs. 330

Cost : Rs. 330 × 7 × 3 .. .. Rs. 6,930

(b) *Advisory Board.*

No. of meetings per year 2

No. of non-official members to whom travelling and daily allowance has to be paid 32

First class travelling allowance per member plus daily allowance of Rs. 15 per day for 2 days (probable duration of a meeting). — Rs. 300 + Rs. 30 = Rs. 330

Cost : Rs. 330 × 32 × 2 .. .. Rs. 21,120

TOTAL .. Rs. 1,71,450

CHAPTER XVI

EDUCATION, TRAINING AND RESEARCH.

Introductory.

The inadequate and uneven progress made by the Co-operative movement in India is largely due, among other things, to the lack of general education among those whom it seeks to serve. The movement in India was started mainly for improving the condition of the agriculturists, who it is true, needed the beneficent assistance of Co-operation most, but who, it is also unfortunately true, were not prepared owing to lack of education, to imbibe and act according to the principles of Co-operation. It is the function of the State, everywhere, to ensure that all in a community attain a minimum standard of knowledge and education. Even after ensuring this, it is necessary, if the Co-operative movement is to develop on a sound basis and to expand in diverse directions, that those who comprise its vast membership are made conversant with the principles and practice of Co-operation. It is only then that they and their representatives will be able to conduct its affairs on well-ordered lines. It is necessary, therefore, that we should, in our plans for co-operative development, give a very important place to dispelling ignorance amongst rural population by imparting knowledge and supplying general information and to co-operative education, training and research. Instructions in principles and practice of Co-operation should form an integral part of the peace-time educational syllabus of each of the Defence Services.

2. No organized attempt seems to have been made in many parts of India to impart co-operative education. Arrangements have, however, been made for co-operative training and research but they are not uniform in different provinces. A brief account of these arrangements in some of the provinces is given :—

Arrangements for training and research in different provinces.

3. There are four co-operative training institutes in the province, besides the Central Co-operative Institute at Madras. The four mofussil institutes train men for employment in co-operative institutions. The course is for 9 months and the subjects taught are Co-operation, Banking, Book-keeping and Auditing. The minimum qualification prescribed for admission is the Secondary School Leaving Certificate. The teaching staff in each institute consists of one superintendent and two lecturers whose cost is borne by the Government. At the end of the course, an examination is conducted by the Provincial Co-operative Union, which co-ordinates the work of the institutes. A fee of Rs. 40 is charged for each student for the entire course. From April 1, 1945, each institute gets an annual

Madras.

subsidy of Rs. 2,750 from the Madras Provincial Co-operative Bank and the affiliated central banks. The staff of the four institutes tours in the districts for three months in a year after the regular nine months course in the institute is over, conducting training classes for members and panchayatdars in two centres in each district within the jurisdiction of the institute. For this purpose, Government have provided a sum of Rs. 15,800.

The Central Co-operative Institute at Madras is primarily intended to train junior inspectors recruited by the Madras Public Service Commission. The course lasts for nine months. The subjects taught are Co-operation, Rural Economics, Banking, Book-keeping and Auditing. The teaching staff consists of one Principal and two lecturers. Non-officials are also admitted to the institute. A fee of Rs. 40 for candidates from the Madras Province is charged for the entire course. The minimum qualification for admission is a B.A. Degree. Students are trained for employment in the higher ranks of the non-official co-operative service also.

4. A training centre in charge of an Assistant Registrar was opened at Poona in September, 1944, to train the officers of the Co-operative Department, the personnel for the development of the movement under the post-war reconstruction schemes and the staff for the normal growth of the Department. **Bombay**

The main function of the Bombay Provincial Co-operative Institute is to impart co-operative training. It has opened three training schools at Ahmedabad, Poona and Dharwar from the 1st July, 1944, for training the secretaries of rural societies, managers of sale societies and of regulated markets, officers of urban societies and of other important co-operative institutions. The Institute holds refresher classes for supervisors, bank inspectors and assistant district co-operative officers, and imparts co-operative training in the districts through the education committees of the district boards of supervising unions. In areas not served by such boards, it appoints its own education committees. In a few districts, it maintains educational supervisors to train the secretaries and committee members of rural societies.

At the instance of the Bombay Co-operative Banks' Association, which give a contribution of Rs. 500 for the purpose, the Institute has appointed a Research Committee whose first task has been to conduct an enquiry into the effect of the war on the indebtedness of the members of co-operative societies and on their general economic condition. The Government have sanctioned a special grant of Rs. 1,000 to the Institute on the condition that the additional sum of Rs. 1,500 required for the enquiry is raised from other sources. Three investigators have been appointed for this research work.

Bengal.

5. The Government maintain a Training Institute, staffed by an Officer-in-Charge and 6 inspectors for training the departmental officers up to the rank of inspectors, the candidates for the posts of inspectors, auditors and assistant auditors, supervisors of central banks and the paid managers and secretaries of central banks and societies. The course is for 7 months except for the managers, secretaries and supervisors for whom the period of training is only 4 months. The Government also maintain 5 peripatetic Instructional Units for the training of the members of rural societies and for holding refresher courses for those already trained in the Institute.

United Provinces.

6. Members of the gazetted staff of the Department get the necessary training in the theory and practice of Co-operation from the Senior Assistant Registrars. The training of the subordinate staff of inspectors and auditors is arranged for by Registrar at the Co-operative Training Institute at Partabgarh. The period of training lasts for 10½ months. Theoretical classes for about 5 months are held at the Institute by two inspectors of the Department provided by the Government ; for the remaining period, the candidates receive practical training under inspectors and auditors. The training period is followed by an examination.

The usual class at the Institute is that of supervisors who are employees of the Provincial Co-operative Union ; the period of training for them is 9 months, nearly half of which consists of practical training with senior supervisors. Training in agriculture is also given to the candidates. Refresher classes are also held from time to time for the benefit of supervisors, in the circle of each assistant registrar.

There were no regular classes for training employees like managers and accountants of co-operative institutions. Classes were held whenever a sufficient number of candidates are forthcoming. Very few classes were held in the past as the banks found it difficult to spare the staff for training.

Again, with the Government of India's grant of Rs. 1,00,950 for the training of members of societies made during 1936-37, 1,773 classes for panches and secretaries were held during the period 1936-41. The Government of India's grant ceased in 1941 ; since then a few classes have been held with the aid of contributions from societies. A scheme for starting these classes again has been drawn up by the Provincial Co-operative Union and is under the consideration of the Government. According to this scheme, the central banks and primary societies will make, out of the profits, contributions annually at the rate of six pies per rupee. The amount so realized will be administered by the Union. To begin with, it is proposed to raise Rs. 13,000. The Government have been requested to contribute an equal amount and appoint three educational inspectors.

With regard to research, the United Provinces proposes to establish a Co-operative Research Bureau with the object of encouraging research students to make special studies of Co-operation, assisting and co-ordinating research on co-operative subjects by university students and encouraging the departmental staff to prepare brochures on subjects connected with the practical working of Co-operation. To meet the recurring expenditure of the scheme, it is proposed to raise about Rs. 2 lakhs from the various co-operative societies in the province; and about Rs. 1,00,000 has been collected already. For the time being, this fund is being managed by the Provincial Co-operative Union.

7. There is a separate staff for co-operative education and training, which delivers lectures in schools and colleges on co-operative subjects and conducts refresher courses. The present staff consists of two educational assistant registrars, 10 educational inspectors and 10 educational assistants. Training classes are held for inspectors, supervisors, sub-inspectors, auditors, secretaries and office-holders of primary societies, staff of central banks and unions, managers and munims of commission shops, liquidators, and inspector and sub-inspector candidates. Separate classes are also held for secretaries and members of industrial co-operative societies. Special classes in domestic science and home industries for women are also periodically conducted. Refresher courses of about 10 days' duration are held once a year. It is proposed to start an Institute at Lyallpur where training in Co-operation will be given in conjunction with the Agricultural College. **Punjab.**

Very little research work is done by the Co-operative Department, but the Board of Economic Enquiry in the province maintains an expert staff for conducting research in Agricultural Economics.

8. The only organization for co-operative training is the Government Co-operative Training Institute which trains the staff of co-operative societies. The Institute also trains non-officials serving on the executive committees of societies. During recent times, the Institute has also undertaken the training of the executive and staff of the cane growers' societies, but with the operation of the Rehabilitation Scheme, greater attention is being paid to the training of the staff of the reconstructed societies. The persons under training are grouped into various divisions for whom different courses of study are prescribed. This course usually lasts for 3 months. Short refresher courses are provided for old employees. **Bihar.**

The Government have recently sanctioned a sum of Rs. 5,000 a year for a period of 5 years to the Bihar Co-operative Federation for conducting research in Co-operation.

9. The educational staff of the Co-operative Department consists of one educational inspector and three assistant **Central Provinces and Berar.**

educational inspectors. They conduct classes for training the departmental staff and the staff of stores and multi-purpose societies. They also organize and conduct classes for literate as well as illiterate members and the office-bearers of primary societies and hold refresher courses for the departmental field staff. Besides, there are 5 divisional institutes which do the work of education and propaganda through their field staff.

10. The brief survey given above shows that the present arrangements for co-operative training are not uniform in the different provinces, and that so far as research in Co-operation is concerned, only a few provinces have made a small beginning.

Recommendations. Co-operative Education.

11. General education is a function of the State. The Co-operative movement can, however, make a contribution in spreading general knowledge by arranging in villages a regular series of talks on subjects of general or topical interest delivered by a few paid workers assisted by a much larger number of non-official social workers. These talks may be arranged by the provincial co-operative institutes or unions. To make the talks attractive, they may be interspersed with ' Kathas ', dramatic performances or musical interludes or displays of lantern slides or films of instructional or general interest.

We cannot, however, be content with the mere diffusion of general knowledge. It is necessary for the continued success of the movement to infuse the ideals of Co-operation into the minds of young boys and girls and to lay before them the outlines of the work done by the Co-operative movement. For this purpose, lessons on Co-operation should be included in the series of Readers in the regional languages as has already been done in Madras and the Punjab, where the text-books for primary and secondary schools provide simple lessons on Co-operation. These lessons will be quickly learnt and long remembered if they are supplemented by a working knowledge of the principles of Co-operation by organizing small co-operative stores and canteens in every school. We understand that such stores have already been organized in a few schools in Madras, Bombay and the Punjab. In order that the benefits of co-operative training in the earlier stages may not be lost, it is desirable that similar stores and canteens should be attached to colleges and universities also.

What, however, is most important is that the principle of " Each for all, and all for each " should be taught from the earliest stages of a child's education. We attach great importance, therefore, to constant opportunities being given to students to work together in groups. We recommend that every school should have a garden and a small farm which should be run by students. They obviously provide opportunities of working in groups, but even training in handicrafts can be so organized as not only to impart " education by doing ", but also to teach teamwork by allotting different tasks to

different individuals so that the labour of each when assembled may produce a single article. We should like to take this opportunity of emphasizing the importance of games and sports in developing the spirit of teamwork and to stress the necessity of encouraging them on a very large scale.

We also recommend that Co-operation should be recognized as a separate subject of study at Indian universities. At one time the Madras University was alone in providing for special classes in Co-operation. Since 1941, the Nagpur University has also instituted a diploma course in Co-operation. In other Indian universities Co-operation is not a separate subject of study for the B.A. Degree but forms a part of the syllabus in Economics and Commerce, although in some of the universities a special paper or papers on Co-operation are set for the examination for the degree of Master of Arts. We recommend that in all Indian universities Co-operation should be given a definite place by being recognized as one of the optional subjects of study for the degree of Bachelor and Master of Arts, Commerce and Agriculture. We further recommend that instruction in the principles and practice of Co-operation should form an integral part of the peace-time educational syllabus of each of the Defence Services.

12. Co-operative training is required for the following types of workers :— **Co-operative Training.**

(1) Members of managing committees of rural co-operative societies,

(2) Secretaries of rural co-operative societies,

(3) Staff of co-operative institutions,

(4) Staff of Co-operative Departments, and

(5) Research workers.

There are organizations in all provinces, *e.g.*, institutes, unions or federations imparting this training in various degrees. The training of persons belonging to classes (1) and (2) and some of (3) and (4) above may continue to be imparted by these organizations wherever they exist.

As regards the training of members of managing committees of rural societies, classes of a short duration, not exceeding a fortnight, should be held at the taluka headquarters or convenient centres. The members should not be required to undergo a test by examination.

The secretaries of primary societies should be trained for a period of six weeks at district headquarters or convenient centres. They should be paid a stipend to meet their additional expenses during the period of training. An examination should be held at the end of the period and a certificate given to successful candidates. It will be advisable to hold refresher courses from time to time for the successful secretaries in order to keep up to date their knowledge of co-operative practice and principles.

An estimate of the cost for the training of the members of managing committees and secretaries of rural co-operative societies has been given at the end of this Chapter.

Provincial Co-operative College.

13. We consider that the training of the next two groups of workers is so important that separate colleges should be set up in each province for them, facilities being provided where necessary for imparting training in all principal languages of the province We are of the opinion that it is undesirable to have training colleges exclusively for the employees of the Co-operative Department and suggest that both official and non-official co-operators should be trained together. This is the case in Madras, where the subordinate staff of co-operative institutions is trained in the four mofussil co-operative institutes and where the departmental staff and the higher non-official staff of co-operative institutions like managers and secretaries are trained by the Central Co-operative Institute which is under the administrative control of the Registrar. We recommend that such a central institution should be constituted into a College with a separate governing body composed of one representative each of the Provincial Co-operative Bank and the Provincial Co-operative Institute, the Registrar of Co-operative Societies, two Professors to be nominated by the University, and two other non-officials to be nominated by Government.

These Provincial Co-operative Colleges should have a well-qualified and adequate staff, the Principal being of the rank of a gazetted officer. The principalship should not be necessarily reserved for an officer of the Co-operative Department as a successful co-operative officer may be a good administrator but not a good educationist. Besides the Principal, there should be at least 3 Professors of the same rank as those in Government colleges. No course of training should be considered complete without a period, of at least six weeks, of fieldwork. For the employees of the Co-operative Department, such further departmental training as may be considered necessary may be arranged for by the Department.

For the success of the Co-operative College it is necessary that Government should accord definite recognition to the examination conducted by it. To this end, the affiliation of the College to the University is desirable. No new staff recruited to the Co-operative Department or co-operative organizations should be confirmed unless the recruits have passed the necessary examination and obtained a certificate from the College. The cost of the College should be met by the provincial government.

Syllabus of the various classes.

14. The syllabus of the various courses of training should be carefully drawn up. The members of the managing committee of the primary society should be taught the principles of Co-operation and their application to the various aspects of the economic life of the people in the rural areas. The by-laws of

the society with special reference to those dealing with the duties of the committee should also be explained to them. The syllabus of the secretaries' classes should consist of the Principles and Practice of Co-operation, by-laws, rules and provisions of the Co-operative Societies Act, and in particular, Book-keeping and Accountancy. The courses of studies for the departmental staff should include Rural Economics, Principles and Practice of Co-operation in India and abroad, Co-operative Law, and certain relevant provisions in the Civil and Criminal law, Accountancy, Auditing, Co-operative Finance and Banking, Modern Economic Development and Business Organization. We suggest that greater attention should be paid to the training of the co-operative staff in banking than has been given hitherto. Wherever possible, arrangements should be made for the training of the higher staff of the Co-operative Department and the Co-operative banks with a commercial bank for about 3 months. The syllabus for the classes of the staff of the co-operative institutions should include, besides Rural Economics, Principles and Practice of Co-operation and Co-operative Law, special training in the particular activity in which the institutions are engaged. For instance, in training the staff of marketing societies, special attention should be devoted to Commercial Geography and Marketing.

Research.

15. The adoption of the theory of Co-operation in transacting business is comparatively speaking of modern growth. The leaders of the Co-operative movement like Raiffeisen, Schulze, Luzzatti or the Rochdale Pioneers are not so far removed from us in time, and may be claimed to be contemporary figures. The movement is of so recent an origin that its principles and practice are still in a state of flux, and it seems necessary for its accelerated growth that organizations should be set up to study them systematically, initiate experiments as regards the suitability of their application to various spheres of activity of a community and to demonstrate the results of study and experiment. Co-operative methods are at present in use in almost every country, but the garb that they wear in a country is fashioned by the circumstances existing in it. Two of the basic principles of Co-operation are voluntary membership and democratic organization, but Queensland has set up compulsory pools by legislation and South Africa has followed its example recently, and India has been exhibiting a trend of opinion in favour of legislative enforcement of certain beneficial measures which receive the support of a large majority of the members of a community. Again, democratic organization of co-operative societies has been universally accepted, but in India democratic control is subject to the authoritarian guidance of the State. These variations from the principles, which are considered to be fundamental are, however, so much evidence not of the inherent inapplicability of co-operative methods to certain countries and communities as of the fact that Co-operation will be doomed to failure if it is forced on a country without adapting it to conform to the special circumstances prevailing in that country.

The theory of Co-operation is very general, and gives no more than an outline of how business should be conducted in order to achieve the full benefit of modern economic organization for the common man. When it proceeds to prescribe rules for the conduct of business in a particular community, it must base itself on certain assumptions as to the special conditions of that community, and its success will depend entirely upon the validity of these assumptions. No confidence can be placed in the validity of the assumptions unless they have a solid background of information collected and assembled on a comprehensive scale and classified and defined in a uniform manner. This is a task which is best performed by the research worker ; and there is a dearth of such workers in our country. In India, we have borrowed co-operative ideas and methods from other countries, but there has been lacking a comprehensive study of their applicability to the facts of Indian life, and of how they are to be fashioned to meet its needs. Credit societies have transformed the condition of German peasantry ; producers' societies have been a great success in the Scandinavian countries, and consumers' societies in industrialized Great Britain ; co-operative dairies have produced striking results in Denmark, and fruit growers' societies in California. What prospects do they hold of successful adoption in India, and what shape should they assume here ? No guidance is available on questions like these. The provincial Co-operative Departments are too much immersed in humdrum duties of the daily routine and have little time for study and reflection, and their organization has assumed a form and a tradition which do not allow the growth of the spirit of research. Patient study and deep reflection are likely to be avoided as they may yield results antagonistic to the practice currently followed.

The application of co-operative principles to the ordinary business of life raises the question of the reaction of human behaviour under their impact. As Co-operation brings about an association of human beings for securing common ends, it implies the study of human relations in all their moral, economic and social aspects. The question may well be asked, does the conduct of business on co-operative lines make a contribution in the moral and social spheres in addition to the economic sphere ? Co-operators of experience find that the answer to the question is in the affirmative. But a patient study of co-operative methods and their achievements is required for bringing out clearly what contribution they have made and are likely to make to the growth of human values. Work on these lines is much beyond the range of the ordinary field-worker, whether official or non-official, and requires a special band of scholars and students assembled in the calm and detached atmosphere of a Research Institution.

The Research Institutions, engaged in other fields than Co-operation, like those at Pusa, Coimbatore, Kasauli and

Bangalore, have conferred immense benefits on rural India. We are convinced that for the proper guidance and direction of the Co-operative movement, research work is absolutely necessary ; and we recommend that the Government of India should establish a Co-operative Institute of Advanced Studies and Research. The Co-operative Institute will serve two purposes, *viz.*, of providing facilities for advanced studies and of organizing research, that is to say, of gaining more knowledge and of fashioning machinery to utilize it. It will give an opportunity to an officer, who is already employed in the provincial Department of Co-operation and has been specially selected by his Government, or to a person, specially selected by a provincial co-operative institution, to pursue higher and advanced studies in Co-operation and gain acquaintance with and knowledge of the achievement of co-operative methods in other countries and other parts of India, and compare the conditions in those countries and parts with the conditions in his own province and wisely borrow ideas and forms of organization which promise benefit to his province. A knowledge of Economics and Sociology is of vital importance to a student of Co-operation and it is necessary that every person joining the Institute for higher studies should attend a course of lectures on these subjects. Incidentally, the facility provided by the Institute will enable a pooling of knowledge and experience gathered from fieldwork in various parts of India and provide a channel for the dissemination of the successful achievements of one province to the whole of the country. We are not to be understood as excluding from the higher studies at the Institute those students who do not belong to the service of a provincial Co-operative Department or are not nominated by a provincial co-operative institution, but we suggest that the largest number of seats in this Institute should be reserved for the former two classes, as we are anxious that the Institute should also be the medium for applying in practice the results obtained by research, and that co-operative workers should have every opportunity of acquiring wide and sound knowledge and should have facilities for keeping abreast of the progress of the movement outside the local areas within which their activities are confined. We suggest that 60 per cent of the seats at the Institute should be reserved for these two classes of persons. The remaining seats should be reserved for meritorious post-graduate students who have had previous training in economic and commercial subjects. The research scholars should be given a scholarship by the Government of India if they are not already in service. Diplomas should be issued by the Institute at the end of the course and these should be an additional qualification for employment in Government and co-operative service.

Side by side with the facilities for advanced studies, the Institute should undertake and organize research work in different branches of Co-operation. The largest number of

subjects for research will be those selected by the authorities of the Institute, but the Institute should be prepared to undertake research as is done by the Indian Waterways Experimental Station at Poona, on special subjects referred to them by the provinces or constituent Indian states.

The Institute should be an all-India organisation. We intend it to be the meeting ground for workers from all parts of India and to serve as a clearing house for knowledge and information acquired in all parts of India. It should be placed under the All-India Council of Co-operation when the Council is established in accordance with our suggestion made in Chapter XV ; and, in the meantime, it should be under the Government of India, which should bear all its cost as they do in the case of the other all-India institutes mentioned in the previous paragraphs.

We do not propose to lay down a detailed scheme of the lines on which the Institute should be organized, but briefly set out our conception of the shape the Institute should take. It will be organized in seven sections, *viz.*, (1) Theory of Co-operation, (2) Agricultural Co-operation (including Animal Husbandry), (3) Industrial Co-operation, (4) Consumers' Co-operative Finance, (6) Co-operative Marketing, and (7) Statistics. We have been impressed by the reasons given by Sir John Russell* for the head of an ordinary section not being appointed as the Director of the Institute and we agree with him that such an appointment is likely to create jealousy and ill-will as regards the distribution of research funds between the several sections, and to lead to the directorial duties interfering with the duties of head of a section, and to subordinate merit to seniority. The head of the section on Theory of Co-operation will not, however, be subject to these handicaps as, ordinarily, his research will be based on the work of other sections and that done abroad. We, therefore, propose that he should be the Director of the Institute. The lecturers on the subjects of Economics and Sociology, to the importance of which we have referred in an earlier paragraph, should be attached to him. He should be a person of outstanding merit and of established reputation in his subject. We suggest that his salary should be on a scale of Rs. 2,000-2,500 per mensem, and that no appointment to this post should be made if a person of the required qualifications is not available. His selection is of great importance as he will guide the research work in every section, and will lend to the Institute that intellectual leadership which alone can command the respect of the All-India Council of Co-operation, the Central and provincial governments and of the constituent states. The heads of the other sections should also be men of high achievement in the field of research. We deprecate the tendency

* Report on the work of the I.C.A.R. in applying science to crop production India—p. 80.

of selecting persons on the basis of their academic degrees only, and emphasize the necessity in appointing heads, of attaching great importance to the merit of their actual research work. In these cases also we would suggest that it would be better if a post was not filled up if the Institute could not find a person who was qualified to give the work of his section a true bias of original research. In the beginning, the heads of the sections should not stand in need of assistants, but, if they do, the assistants should be recruited in accordance with the demand made by each head and approved by the Director. They will, however, stand in need of field workers who should be appointed as may be necessary. The number of field workers will, however, be small, as the detailed field work must necessarily be undertaken by each province through its Co-operative Department or co-operative institutions.

We do not consider it necessary that we should refer in the Report to the various questions of buildings for and subordinate establishment of the Institute. These can be dealt with by the Central Government on the model of the many institutes which it is running at present. We leave the question of location of the Institute also to the Central Government.

STATEMENT I.

Estimate of cost for British India for the training of members of managing committees and secretaries of rural co-operative societies.

A. CLASSES FOR MEMBERS OF MANAGING COMMITTEES.

I. Educational Supervisors

i. Number	240 (roughly one for every district)	
ii. Average monthly salary	Rs. 75	
Cost	Rs. 75 × 240 × 12	Rs. 2,16,000
iii. Monthly travelling allowance for each supervisor	Rs. 35	
Cost	Rs. 35 × 240 × 12	Rs. 1,00,800

II. Establishment

Peons.		
i. Number	240 (one for each educational supervisor)	
ii. Monthly salary including travelling allowance for a peon ..	Rs. 35	
Cost	Rs. 35 × 240 × 12	Rs. 1,00,800

III. Miscellaneous

Miscellaneous expenses for 3,000 managing committee classes @ Rs. 30 per class ..	Rs. 30 × 3,000	Rs. 99,000

B. CLASSES FOR SECRETARIES.

I. Officers of the status of gazetted officers of Class II

i. Number	11 (1 for each province)	
ii. Average monthly salary	Rs. 403	
Cost	Rs. 403 × 11 × 12	Rs. 53,196
iii. Monthly travelling allowance for each officer	Rs. 150	
Cost	Rs. 150 × 11 × 12	Rs. 19,800

II. Educational Officers

i. Number	60 (roughly one for four districts)	
ii. Average monthly salary	Rs. 125	
Cost	Rs. 125 × 60 × 12	Rs. 90,000,
iii. Monthly travelling allowance for each educational officer ..	Rs. 50	
Cost	Rs. 50 × 60 × 12	Rs. 36,000

III. Miscellaneous

Miscellaneous expenses for 500 secretaries' classes @ Rs. 100 per class	Rs. 100 × 500	Rs. 50,000
	Total ..	Rs. 7,56,596

(The scheme is to be completed in a period of two years).

STATEMENT II.

ESTIMATE OF COST OF THE PROVINCIAL CO-OPERATIVE COLLEGES

Principal—One		
Monthly Salary—Rs. 1,500		
Cost—Rs. 1,500 × 1 × 12		Rs. 18,000
Professors—Three		
Monthly Salary—Rs. 500		
Cost—Rs. 500 × 3 × 12		Rs. 18,000
Lecturers—Three		
Monthly Salary—Rs. 200		
Cost—Rs. 200 × 3 × 12		Rs. 7,200
	Total ..	Rs. 43,200
Total cost of 11 Provincial Co-operative Colleges (one for each province) ..	Rs. 43,200 × 11	Rs. 4,75,200

STATEMENT III.

ESTIMATE OF COST OF THE CO-OPERATIVE INSTITUTE OF ADVANCED STUDIES AND RESEARCH.

Director—One

Monthly salary—Rs. 2,500

Cost Rs. 2,500 × 1 × 12 .. .. Rs. 30,000

Professors—Six

Monthly salary—Rs. 1,000

Cost Rs. 1,000 × 6 × 12 .. .. Rs. 72,000

Lecturers—Two

Monthly salary—Rs. 600

Cost Rs. 600 × 2 × 12 .. .. Rs. 14,400

Field Workers—Twenty-one (or 3 for each one of the 7 sections)

Monthly salary—Rs. 150

Cost Rs. 150 × 21 × 12 .. .. Rs. 37,800

20 Fellowships of Rs. 150 p.m. .. .. Rs. 36,000

Total .. Rs. 1,90,200

R. G. Saraiya
(Chairman)
J. C. Ryan
Madhavrao G. Deshpande
A. B. N. Sinha
M. R. Bhide*
Siddiq Hasan
S. M. Ikram
Hiralal L. Kaji*
J. H. Wilkinson
C. N. Vakil
Sher Jang Khan
(Member—Secretary)

BOMBAY.

19th November, 1945.

* Subject to a Minute of dissent.

ESTIMATE OF STATE AID.

Chapter No.	Direct Subsidies or Grants. 2		Increased Departmental Expenditure. 3		Capital Expenditure by State—Total for 10 years. (Rupees)	Loans by State. 5		Additional Items of Expenditure.	Remarks.
	Annual. (Rupees)	Total for 10 years. (Rupees)	Annual (Rupees)	Total for 10 years. (Rupees)		With Interest. (Rupees)	Without Interest. (Rupees)		
1	2 (a)	2 (b)	3 (a)	3 (b)	4	5 (a)	5 (b)	6	7
I Introductory	....	....	....	....	....	....	....	....	....
II Co-operation and Planning.	....	....	....	....	....	....	....	....	....
III Agricultural Production.	1,17,41,775 during the first year decreasing to 1,10,70,000 during the 10th year.	13,02,58,875	45,64,272 during the first year rising to 1,93,98,180 during the 10th year.	11,93,32,740	....	1,70,91,000	....	(1) The capital outlay required by the Collective Farming and Tenant Farming Societies for agricultural machinery or operational needs to be provided. (2) Provision of cold storage and refrigeration for fruit growing societies. (3) Finance to co-operative societies for the construction of minor irrigation works, if necessary.	Subsidies that should be given to the Better Farming and Joint Farming Societies have been included in the estimates. As only two societies of each type are to be set up in each district no provision for separate audit staff has been made or appears necessary.
IV Animal Husbandry and Fisheries.	13,14,000	65,70,000*	....	....	1,50,00,000	....	....	(1) Cattle farms to be established first in the principal cattle rearing areas, and later, in other areas. (2) Loans to members of co-operative societies for the purchase of superior cattle. (3) Prizes at cattle shows for animals of outstanding qualities. (4) One veterinary centre to be opened for a group of 2 to 5 villages. (5) Funds for constructing cattle sheds to co-operative societies. (6) Provision of staff and equipment required by the sheep-breeding co-operative societies to undertake the freeing of wool from dirt and yolk and the grading of the product. (7) The cost of model poultry farms to be set up in all provinces at convenient centres. (8) Appointment of a special officer and staff to promote, supervise and guide the work of poultry farming societies in each province. (9) Funds required by fishery societies for the provision and repair of improved types of craft and gear, cold storage, and transport to be given either as loan or subsidy.	....
V Agricultural Marketing.	22,91,400 during the 1st year decreasing to 11,45,700 during the 5th year.	80,19,900*	19,62,000	1,86,20,000	4,16,50,000	....	....	When processing societies are started, the funds required by them for fixed capital to be advanced as a loan.	When the All-India Marketing Association is established the Government will give a grant of Rs. 1 lakh per year for the first five years and thereafter Rs. 50,000 per year.
VI Agricultural Credit.	....	....	....	....	....	....	....	The provincial co-operative banks when reorganized to be supplied with a good deal of share capital and finance at a rate which will enable them to advance short-term loans at 6½ per cent and long-term loans at about 4 per cent.	....
VII Small and Subsi-	....	....	....	....	....	....	....		

IX Consumers' Co-operation.	12,49,500	62,47,500*	1,17,216	11,72,160	4,55,50,000	....	....	Half the cost of new primary societies undertaking stores business to be borne for five years.	No costs in respect of central and urban stores have been included as their number cannot be determined, but if one urban society is to be organized in each town and one central society in each district the following additional cost will be incurred. Subsidies 1st year 5 years Rs. Rs. 25,78,500 1,28,92,500 Deptt'l. Expenditure 1st Year 10 years. Rs.6,61,500 Rs.66,15,000 Capital Expenditure. Rs.45,00,000
X Urban Credit.	....	....	....	....	....	....	....	....	....
XI Housing, Health & Better Living.	....	....	....	....	....	....	....	(1) The finance required, if any, by housing societies to be supplied on easy terms. (2) Subsidies to health co-operatives.	....
XII Women and Co-operation.	....	....	....	....	....	....	....	Staff to be maintained for directing and supervising women societies when their number increases.	If the pay of the Lady Assistant Registrar or Woman Special Officer to be appointed in each province is fixed at Rs. 200 p.m., the cost on that account will come to Rs. 26,400 per year or Rs. 2,64,000 in 10 years.
XIII Transport.	....	....	....	....	....	....	....	Finance required by country craft societies for buying better boats and engines.	....
XIV Co-operative Insurance.	....	....	....	....	....	....	....	(1) Cattle insurance to be undertaken as an experimental measure and all expenses of administration, veterinary services, vaccines and medicines to be borne by the State. (2) A scheme of crop insurance to be undertaken as an experiment and the funds required for the experiments to be provided. (3) Interest at a rate of 1 per cent above Bank Rate to be given on statutory deposits of co-operative insurance societies, and that proportion of their liabilities which has to be invested in approved securities. (4) Subsidies by way of contributions towards the premiums on life assurance policies taken out in rural areas for Rs. 500 and below.	....
XV Administration and Law.	75,00,000	3,75,00,000*	9,83,970	98,39,700	....	....	....	(1) Subsidies to the central banks which undertake the work of supervision. (2) The entire cost of supervision in some areas. (3) Liberal subsidies to the provincial co-operative institutes or unions. (4) Grants as may be determined from year to year to be given to the All-India Council of Co-operation and the Provincial Co-operative Councils after the first five years of their working.	....
XVI Education, Training and Research.	....	....	6,65,400	66,54,000	....	....	....	....	....

APPENDICES

A. ESTIMATE OF STATE AID

An attempt has been made to give tentative estimates wherever it has been possible to prepare them. These estimates have been tabulated in the Statement on the previous page and work out as under over a period of ten years :—

	Central Government.	Provincial Government.	Total.
	(In lakhs of Rupees.)		
Direct subsidies in ten years	100·00	1785·96	1885·96
Increased Departmental expenditure in ten years	36·76	1828·80	1865·56
Capital expenditure	..	1022·00	1022·00
Loans	..	170·91	170·91
GRAND TOTAL	136·76	4807·67	4944·43

The above figures do not include expenditure on all proposals which we have recommended for adoption. Reference to such additional items of expenditure has been made in column 6 of the Statement. They may appear at first glance to be excessive, but are really not so. In the first place, the figures should be considered in the perspective of the country as a whole, and the number of people whom it is proposed to reach by co-operation. In the second place, the expenditure is, in essence, not on " Co-operation " which is only a method of human organization, but on improving the standard of living by the stimulation of agricultural production, provision of protective foods, growth of small and subsidiary industries and contribution towards such other items as the preservation of forests, improvement of health, betterment of education, relief of unemployment, provision of housing, construction of roads and public buildings, etc. As Co-operation enters into almost every department of economic activity, any expenditure by the State on Co-operation should be considered as a contribution to the expansion of national economy.

B. MINUTE OF DISSENT BY DEWAN BAHADUR H. L. KAJI.

I regret I have to differ from any cilleagues in the matter of the urgent need for an active policy of progressive de-officialization of the Co-operative movement in India. While all my colleagues are agreed on the popular character and democratic nature of the movement and while all of them are agreed as to the need for the ultimate withdrawal of official control, they have not been able to persuade themselves to make definite and clear-cut recommendations in that connexion in the Report. They have not felt the need for an active policy of deofficialization that is so clearly called for. The Report states that "As the movement is of the people and for the people and must be run ever more and more by the people themselves, it is necessary to indicate that the sponsoring of the movement by the State is meant only to assist, guide and train up the workers and not to establish permanent control over the movement" And yet, but little is recommended to implement that view. I am definitely of the opinion that the time has come, when a clear indication should be given that a policy of progressive de-officialization will be actively followed and that some concrete beginnings should be made in that direction where and as far as possible.

More than forty years have passed since the movement was launched under State auspices and official control and the success that was hoped for has not been attained. The Registrar of Co-operative Societies, far from being merely the registering officer as in the case of joint stock companies, was to be friend, philosopher and guide and soon constituted himself into a trustee of the societies. From him, came the driver for a rapid multiplication of societies in the earlier years of the movement; with him, rested directly or indirectly the extent and availability of finance for the primaries from the central and provincial banks; with him rested supervision, inspection and audit; from him came continual streams of circulars giving advice and guidance which soon acquired the force of law; with him remained the power to interfere with the day to day working of societies through the discretion vested in him by law about the registration of societies and registration of amendments of by-laws; and with him rested to a certain extent the power of regulating investmests of the surplus funds of societies. And yet, despite this complete control, on him rested not the responsibility for failures! If a society failed, it was the members' sins of commission and omission that were responsible; Government and its officials remained immune from all liability and blame; the sense of security that the public had, because of State control, turned out to be more a fancy than a reality. Forty years of this controlled regime of an essentially democratic and popular movement and the failure to achieve the economic regeneration of the masses to any appreciable extent or in any one direction should be enough to suggest that the solution lay, not in the further tightening of the control, and in the appointment of ever more and more officials, but in the decontrolling of the movement, so that with the absence of unnecessary and, perhaps, vexations interference, a greater sense of responsibility would be evoked amongst the members who by co-ordinated efforts and guidance from their own federations would secure better results. The great transformation that attends the cessation of cramping controls and accession to power and responsibility is often not fully realized. The time has now come for relaxation and withdrawal of official control and to allow the movement to be run ever more and more

by the people themselves, for whose benefit, after all, the societies exist.

The Report views with favour 'the increasing participation of non-officials'. This phraseology presents, however, a wrong conception of the movement. There are no officials and non-officials in the Co-operative movement; there are only the co-operators—the members of societies, and the officials of the Co-operative Department. The former are more or less permanent and believe in the principles and ideology of Co-operation as a basis of national economy; the latter have no stake in the organizations they seek to supervise, guide and control, and merely administer the laws in that behalf. The members are shareholders, owners, proprietors of their organizations; they do participate. The officials are outsiders and have no place within the movement. There can be therefore no question of the increasing participation of non-officials in the movement; the only question is of the withdrawal, gradually and wisely, of outside control from co-operative organizations. If the co-operating members be not competent in the earlier stages, the State owes it to itself to assist and guide them through special officers so as to train them for their work. Having done this, the officers should withdraw and allow them to carry on their business themselves. If, in some cases, the degree of ignorance and incompetence is so great as to make it impossible to train them to the necessary level of efficiency, the societies should either be liquidated or should cease to be co-operative societies and be run as State organizations for the benefit of such ignorant and helpless people. Trusteeship of beginners, we can justify; but perpetual tutelage is entirely foreign to the co-operative ideology and co-operative practice in other countries. Trustees and guardians usually take shelter under the belief that their wards are not yet fit enough. But surely, so far as the Co-operative movement is concerned, such a plea cannot be endorsed. Forty years are a sufficiently long period to discover at least a few out of a lakh and odd co-operative societies in India which have an efficient and trained body of members, which have achieved success and which, therefore, while remaining within the co-operative fold, could be freed from restraint and control and left to look after themselves.

I recommend that Registrars be instructed to select co-operative societies under them, which have been conspicuously successful for a fairly long period whether in rural or in urban areas and to exempt them from various provisions of the Co-operative Act so as to secure to them unrestrained freedom to manage their own affairs, the Registrar retaining the power of occasional audits and inspections so as to satisfy himself about their continued efficiency. Such lists of societies might of course be revised, enlarged or curtailed from time to time according to rules framed in that behalf. Where such societies can form a convenient group, I recommend that they be welded into a federation, to which could very well be entrusted the duties of supervision and control, thus substituting a system of internal in place of external control. In urban areas, numerous societies will be found to deserve this treatment. Large urban co-operative banks, more particularly in Bombay, and large employees' or salary earners' societies such as those of the railways or the post office can thus be exempted and permited to be self-governing, the control being vested in their own federations. The recommendation made in this connexion in Chapter X—Urban Credit—seems to me to go not far enough. I recommend that a fuller and more generous measure of freedom be accorded by the State in the case of such

urban co-operative organizations which have usually an efficient and trained staff and a competent directorate. Large commercial and industrial joint stock companies are being successfully managed by the urban population and there is no reason whatever to doubt their ability to achieve similar success in the smaller co-operative organizations, preserving their essential co-operative character by strict adherence to distributive justice and the eschewing of all exploitation and capitalistic trends.

Progressive de-officialization is all the more necessary at the present juncture, when the Co-operative movement is on the threshold of vast expansion and diversification. The targets recommended for expansion are 50 per sent of the villages and 30 per cent of the rural population within the next ten years. This means that on an average 1.08 million persons should be brought into the co-operative fold and 21,600 societies organized every year. With all the increase in the staff recommended in the Report, it is clear that it will not be possible to acheive this vast expansion unless the sympathies and active assistance of popular local leaders is enlisted in the service of Co-operation and unless their efforts are suitably appreciated by freedom from vexations interference and control and in other ways, if the movement is to retain, as it must, its essentially voluntary character. Compulsion and regimentation may be in a large measure the necessary accompaniments of economic planning ; but they are not and cannot be the attributes of Co-operation. The societies or associations formed under compulsion may be very necessary in the interests of economic development ; but they would be State agencies and cannot be camouflaged as co-operative organizations. Popular initiative, popular management, internal control are but the necessary requisite of Co-operation and will have to be sedulously harnessed to the cause for the success of the vast programme of expansion and diversification.

It has been contended that State assistance on the large scale recommended by us in the Report for the far-reaching development of the Co-operative movement demands and justifies greater and stricter control over co-operative organizations. Really, however, there is no inconsistency between co-operative autonomy and State assistance. The State is certainly justified in seeing that the facilities it provides and the grant it makes are properly utilized. But the control should go no further, nor should it be imposed as a permanent feature of such aid. The State makes large grants to private educational institutions and to local self-government organizations. It has, besides, a programme of subsides and tariff protection for the development and fostering of large-scale industries. And yet no claim has been made for control over these institutions, organizations, and industries which continue to enjoy autonomy in their internal affairs. The grant of ample State assistance, to which agriculture and small-scale industries have as great a claim as any other sector of national economy cannot, therefore, be urged as a justification for greater and permanent control which would deny to the Co-operative movement its autonomy and freedom and rob it of the moral influence which it is expected to exercise over the people.

Apart from this, the Registrar however competent he may be, however well assisted by a large number of Joint and Deputy Registrars, with a host of subordinate officers, assistant, auditors, inspectors, and so forth, will soon find the movement too widespread to be easily manageable and controlled. In the earlier stages of this new development, one can readily concede the need for strict and careful supervision by State officials ; but unless such

control over the new organizations is accompanied by a withdrawal or relaxation of control from groups of the older organizations, particularly in the urban areas, the movement would get out of hand and the consequences would be disastrous. State sponsoring and control are but meant for training and not for perpetual tutelage. Students entering the university do not remain there permanently; they graduate and leave. New entrants come in, get trained and go out. So also, societies are registered; expert supervisors and guides train the members and march on to undertake the education of fresh lots of members of new societies. The whole point of view in connexion with the Co-operative movement needs revision. It can never possibly be conceived as necessary that co-operative societies should grow in number, membership and capital and cover, in course of time, the entire or at any rate a large part of the population of the country and yet remain all the time under the full control of the State and its officials. This cannot be. New societies come in, older societies pass out from the orbit of State control. This only would enable concentration of efforts on the few and spell increased efficiency.

The Registrar under the co-operative law is charged with certain duties. These are in connexion with registration, audit and cancellation. These statutory functions should continue to be performed by the Registrar and his staff for all societies registered under the Co-operative Societies Act. It is the gradual encroachment by the Registrar in other matters, it is the non-statutory functions taken up by him which constitutes what is popularly regarded as vexatious interference and demands attention. There is organization, supervision and periodical inspection. Nowhere does the Co-operative Societies Act of 1912 confer these powers on the Registrar and yet he performs these functions and exercises, if he chooses, a great measure of control even over the day to day management also. At the time of registration, they by-laws of societies are pressed into conformity with a standard pattern; the registration of amendments of by-laws gives a further occasion for changes; and often the words 'with the approval of the Registrar' and added to some of the proposed amendments so that the Registrar secures powers not conferred on him by statute and prescribes, regulates, supervises and inspects the affairs of co-operative societies. This state of affairs is a great impediment to the healthy growth of the movement and fosters a sense of irresponsibility among the members of societies. Control without responsibility by officers who have no stake in the societies should not be allowed to continue.

Organization of co-operative societies should not be left to the Registrar and his staff as seems to be sanctified by usage and practice in most provinces. Organization has to be preceded by considerable propaganda and this can best be done by a non-official agency. In every province in British India and in most of the leading Indian states a non-official body has already been promoted and has been working more or less successfully and propaganda is one of its principal functions. It is known as the Institute, Union, Federation or Organization Society in the various provinces and states, and all the societies of the area under its jurisdiction are directly or indirectly its members. The Institute or Federation is financed by contributions from the societies and by grants from Government. In the early days of the movement, a large number of honorary organizers was maintained to help the Department in work of organization and to some small extent in supervision.

This system of appointing honorary organizers, whose spirit of service was encouraged and stimulated by hopes of honour, honours or honoraria, has now fallen into disrepute. But it is very imperative that some such system will have to be revived and linked up with the Institute, so that local leadership and initiative may be harnessed to the service of the movement in order to maintain its essentially voluntary and popular character. The Institute or Federation is now the proper agency for the work of organization through its branches or district and divisional units and the honorary organizers should be absorbed in this institution. The finances of the Institute should be improved by adequate grants from Government and the larger provincial co-operative organizations, so as to enable it to perform this function properly.

Supervision of co-operative societies is a very important function. No proper measures have so far been adopted. Some provinces rely for the purpose on the inspectors of the central financing agencies, others on the inspectors of the Co-operative Department, while others yet have formed supervising unions and have federated them into district and provincial units. In my opinion, supervision like organization should be entrusted to the same non-official agency—the Institute, for it is the agency which organizes that should carry on the work further and maintain internal friendly supervision, so as to preserve efficiency in management.

The recommendations in connexion with organization and supervision of societies envisage the establishment of a distinct federation of co-operative societies in each province and end with the remark that where an Institute, Federation or Union exists or is or can be constituted on the lines discussed in that paragraph it should be entrusted with the work of supervision. At another place, it is stated that " We recommend that the work of organizing new societies should also be entrusted to the organization suggested for supervision in para 6." These recommendations appear to me to be rather hesitant and not very clear. I wish to make it quite clear that Institutes already exist in all provinces and it is to these Institutes, with any changes in their constitution that may seem necessary, that organization and supervision of societies should be entrusted and that in no case should separate non-official federations be formed for the purpose.

Periodic inspection is nowhere entrusted by the Co-operative Societies Act of 1912 to the Department or to the central banks ; but even this wrongful assumption of powers does not serve the purpose ; since supervision is essentially different from the inspection of a creditor such as the central banks or of the officers of the Department, in whom is vested the administrative control. Circumstances now, however, are fast changing and under the developments and diversification expected under our recommendations, there will be a need for departmental inspection. I am of the opinion that powers of inspection be given by a suitable amendment of the Co-operative Societies Act to the Registrar and to the central banks for a period of ten years from the date a society begins to work. Ten years are a sufficiently long period to judge of the progress of a society and to train up the workers. While in the case of existing societies, no such powers are necessary and de-officialization and de-controlling may begin forthwith as recommended previously, I recommend that in the case of new societies, starting work from now onwards, ten years be the limit prescribed for departmental periodic inspection.

Audit is the statutory duty of the Registrar and in my opinion it should continue to remain so. In some provinces, this power is delegated by the Registrar to the Institute, or Union. But this is not correct, Institutes are non-official federations or unions of societies and the statutory duty of audit by the State which gives a sense of security to the public, should not be handed over to it even by delegation. In those cases, however, where large societies like provincial societies, urban banks or employees' societies, employ a duty qualified auditor of their own, duplication of audit may well be avoided by the Registrar contenting himself with a test audit now and again, say, once in three years.

Reference has been made above to the unjustifiable use of the discretionary powers vested in the Registrar in the matter of registration of the by-laws and of the subsequent amendments of these by-laws. This discretionary power is expressly conferred on him by the 1912 Act and is conferred by implication by the Bombay and other provincial acts and has been utilized very often by the Registrar to make the societies conform to a standard type and to increase his control by making the approval of the Registrar necessary in matters relating to their internal working. It is manifestly wrong to secure, in this indirect way, powers of control which are not vested in him by the Statute. It is this vexatious control that creates a sense of irresponsibility and unreality among the members of the managing committee and keeps away from societies many capable people, who would welcome general guidance now and then but certainly do resent dictation and perpetual tutelage by the departmental officers. I recommend that relevant sections of the Co-operativve Act should be suitably amended so that if the by-laws or their subsequent amendments be not inconsistent with the provisions of the Co-operative Societies Act governing the area, the Registrar should have no option, and he should register the society and its by-laws and subsequent amendments.

There is another important matter which calls for earnest attention. The investment of the funds of a co-operative society are regulated by the provisions of Section 32 of the Act of 1912. In view, however, of the great developments in urban and central banks, resulting in their having large surplus balances, in some provinces at any rate, and in view of the impending developments of the movement as a part of post-war planning, it is essential that Section 32 of the Act relating to investments of funds be suitably amended, care being taken, to maintain the Registrar's control in the case of small societies. In the case of big societies, however, whose paid up share capital is Rs. 50,000 or more, there appears to me no need for the Registrars' control under the Rules or in other ways and the purpose would be best served by adopting a procedure similar to the one prescribed by the Indian Insurance Act of 1938 whereby the investments of 55 per cent of their funds may continue to be regulated by Section 32 as it is, but freedom and initiative should be left to the society for the investment of at least the remaining 45 per cent, subjects to such safeguards as may be prescribed in their by-laws The directors of such bigger societies are usually more conversant with the money-market and would be better guides than the Registrar, even with a Financial Adviser, who cannot be expected necessarily to be a financial expert. The control as it orperates to-day hampers freedom in the investment of funds and must be relaxed as indicated. The responsibility for the safety of funds is the concern of the members

themselves, and not of the Registrar, who does not assume any responsibility for mismanagement or bad investments in the case of winding up. The suggested amendment will invest the directors with a sense of greater responsibility and will promote greater initiative and desire for progress. This will incidentally induce competent and well qualified persons to join and guide a co-operative society. There are thousands of associations working satisfactorily without Government control or interference for the uplift of the country in social, educational, medical, charitable and other spheres and handling large funds and the same persons can certainly be expected to be able to manage a co-operative society without Government control.

Education is another and perhaps the most important function which must be efficiently performed if the movement is to bear the fruits, its sponsors expect. This subject is dealt with in our Chapter XVI. While I am in general agreement with the recomdations made in that Chapter, I cannot agree to the proposed officialization of co-operative education, in the provinces. It is proposed that there should be in each province, a Provincial Co-operative College, and that it should be placed under a governing body composed of the Registrar and two nominees of Government, two Professors to be nominated by the local university, the Chairman of the Provincial Co-operative Bank and the Chairman of the Provincial Co-operative Institute.

I am definitely of opinion that with the exception of the proposed All-India Co-operative Institute for Advanced Studies and Research, all work in connexion with co-operative training and education for all types of workers, departmental or otherwise should be entrusted to the Provincial Co-operative Institute. There would be no objection to the setting up of a governing body such as is contemplated above, but it is the Institute which should be made responsible for the Provincial College and training institutions or classes. Of all functions necessary for the healthy growth of the Co-operative movement, like propaganda, organization, supervision and focussing of co-operative opinion, co-operative education and training is the least debatable as being most suitable for being undertaken by the co-operators themselves, through their Federation, Union or Institute, and I am very sorry that I could not carry my colleagues with me in this matter. I must gratefully acknowledge that in many of the other points raised by me in this note, my colleagues saw and understood my viewpoint and have made recommendations, which stand out as evidences of their endorsing the de-officialization point of view stressed by me. It is only in the matter of co-operative education and training that I failed to convince them of the logical necessity of providing a Provincial College and of placing it under the Co-operative Institute or Federation. Adequately financed and efficiently assisted by a competent governing body, the Institute can be trusted to discharge this function in a thoroughly satisfactory manner.

Before I conclude, I must pay my tribute to the able and conscientious manner in which the Registrars in the defferent provinces have been discharging their duties. They are efficient, well-meaning, keen and ready to understand and appreciate the co-operators' point of view and to try to make adjustments, wherever possible. It is not their fault that the movement has not achieved the success it should have achieved in the last 40 years. It is the wrong policy and the wrong principle that the responsible for the poor results and not the personnel. It, therefore, appears

to me essential that a clear enunciation of the policy of de-officialization should be made and a clear change of tone indicated by suitable action, so that while the State officers continue to discharge their statutory duties, the co-operators can increasingly look to their own federation for inspiration and guidance.

I will now briefly summarize my recommendations :—

(i) Forty years of the failure of the State controlled movement makes it imperative that a policy of withdrawal of controls and progressive de-officialization should be actively pursued.

(ii) The great expansion and diversification of the movement under post-war planning schemes, makes the pursuit of this policy more urgent.

(iii) The Registrar should confine himself strictly to the performance of his statutory duties only.

(iv) The Provincial Co-operative Institute, with a suitably changed constitution if necessary, should be entrusted with the performance of non-statutory functions :—

(a) Propaganda and organization.

(b) Focussing of co-operative opinion.

(c) Supervision.

(v) The Registrar's discretionary powers about registration of by-laws and their subsequent amendments should be withdrawn, provided such by-laws or amendmends are not inconsistent with the Co-operative Societies Act.

(vi) Section 32 of the Co-operative Societies Act, 1912, should be amended so as to permit larger societies a measure of freedom in the investment of their funds.

(vii) The Registrar should be given by statute the right to inspect new societies for the first 10 years.

(viii) Co-operative education for all types of workers in the provinces including the Provincial Co-operative College should be entrusted to the Provincial Co-operative Institute.

(Sd.) H. L. Kaji.

Bombay, 21-12-1945.

C. NOTE OF DISSENT BY MR. SIDDIQ HASAN, I.C.S., REGISTRAR, CO-OPERATIVE SOCIETIES, UNITED PROVINCES AND MR. M. R. BHIDE, I.C.S., REGISTRAR, CO-OPERATIVE SOCIETIES AND DIRECTOR, RURAL RECONSTRUCTION, PUNJAB.

1. Various attempts have been made in the past to analyse the problem of rural indebtedness and agricultural finance in this country and to suggest solutions thereof. Nicholson's Report of 1895 and the Banking Enquiry Committee Reports of 1930 are well-known documents on this subject. The problem has again very recently been examined by the Agricultural Finance Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries. The Report of this Committee, which was presided over by professor Gadgil, was made available to us.

2. We are fully conscious of the fact that a separate Committee with special terms of reference was appointed to examine the question of agricultural finance in detail and as such it might appear that our Committee, which was to examine the question of Co-operative Planning, should treat agricultural finance as outside its purview. To our mind, however, this is not the case. Credit forms the central point round which everything revolves in a business activity. Agriculture is or should also be a business proposition and, therefore, no exception to this rule. Any measure therefore, that seeks to find ways and means of agricultural improvement, be it co-operative or otherwise, must take the fullest cognizance of the conditions on which finance is or can be made available for agricultural operations. This fact is so unversally recognized that we consider it unnecessary to labour on this point any further.

3. There would be little point in going into this question in detail if we were to accept the basic recommendation of the Gadgil Committee, namely, the starting of Agricultural Credit Corporations. We were, however, all agreed that on practical and theoretical grounds there was little to be said in favour of the Agricultural Credit Corporation and in para 4 of Chapter VI have said so giving four reasons very briefly. The Report of the Gadgil Committee is in great detail and throughly analyses the problem of agricultural finance. The Committee has given its reasons in support of its basic recommendation, namely, the starting of Agricultural Credit Corporations. If, therefore, we are to turn down that recommendation of the Committee we must give full reasons for it as otherwise our opinion can have very little value We realize that some of the members of our Committee had already expressed their definite views as members of the Gadgil Committee and it was difficult for us to convince them that the basic recommendation of the Gadgil Committee was not practicable. We also realize that it was difficult for them to accept any views or conclusions that were fundamentally opposed to the recommendation of the Gadgil Committee, whose Report they had signed. Efforts were made to bring about some agreed conclusions but this was obviously impossible as there could be no compromise when we differed on very fundamental questions. We, are, therefore, of the opinion that we cannot divest ourselves of the responsibility of the examining the question of agricultural credit in detail. In the existing conditions in the country, the role of Co-operation is and will for a long time to come, be predominantly in the rural field. A vast majority of the co-operative societies are either entirely or almost entirely dealing with credit. It is, therefore, obvious that the success or otherwise of any plan of co-operative development will be largely dependent on the conditions on which finance is available for agricultural operations. In short, the recommendations we are making in the body of our Report are fundamentally dependent on the credit structure that we visualize should be obtainable in the country for the finance of agriculture, the largest national industry and we consider that for any advance in this direction, a proper and sound system of agricultural finance is the sine qua non of progress. We have, therefore, no choice but to offer our views on the problem as best as we can. This note is, therefore, not really a Minute of dissent but a Minute explaining in some detail our reasons for turning down the proposal of the Gadgil Committee with regard to the setting up of Agricultural Credit Corporations. Other members of the Committee have also come to the same con-

clusion, though they do not, wrongly in our opinion, consider it necessary to give reasons in detail for disagreeing with the Gadgil Committee.

4. In dealing with agricultural finance, two fundamental facts must be kept in view, firstly that in most parts of this country agriculture is a deficit economy and secondly that the number of persons requiring agricultural credit runs into millions. They are spread over lakhs of villages and are mostly ignorant, poor and illiterate. Any system of agricultural finance, therefore, that we adopt must necessarily be such as to make finance available to agriculture at a cheap rate and at the same time must aim at protecting the agriculturist from any advantage being taken of his weakness.

5. In a credit transaction there are necessarily two parties, namely, the lender and the borrower. The social philosophy of laissez-faire left the two parties to strike their own bargain and considered State intervention unnecessary. That philosophy has undergone radical changes and in every country in the world, the State has interfered to a smaller or greater extent. The State, as the guardian of social justice is morally bound to prevent the exploitation of the poorer and weaker section of the population by the richer and stronger section. In the last 20 years in India, the State has also interfered on a progressively increasing scale and there is every reason to believe that this interference will increase in the near future, on the return of popular ministeries in the provinces.

6. Keeping these important points in view the following credit systems can be visualized :—

(a) The simplest system is where transactions are between the lender and the borrower on an individual basis. This is generally known as private money-lending and is almost universally prevalent in this country.

The private money-lender is ubiquitous. He has been financing agriculture in India from times immemorial. He has personal relations with his debtors and his methods are free from the rigidity of red-tapism. He is firmly entrenched in the country-side and cannot be rooted out for a long time to come if ever. In no country in the world except Russia, where conditions are exceptional, has it been possible to eliminate the private money-lender altogether. For our agricultural finance, therefore, the agency of the private money-lender will have to be tolerated for quite a considerable time to come. It must, however, be acknowledged that the methods emlpoyed by the private money-lender have been obnoxious without exception. Consequently it will be necessary to exercise a very strict and vigilant control over his activities. This line of policy has been accepted all over India and in most of the provinces legislation has been enacted to regulate the activities of the money-lender in the interest of sound agricultural development. We consider that these regulatory legislations will have to be further strengthened and wider publicity given to their provisions in order to educate the cultivators in obtaining the fullest advantage of these legislative measures. We agree with recommendations

Nos. 61 to 64 of the Gadgil Committee in this respect (paras 12 to 18, pages 54—59).

(b) A further variation of this system is where the lender is not an individual but a combination of individuals. This is known as institutional credit. So far as agriculture is concerned, institutional credit has not developed to any considerable extent in this country. Although joint stock banks are lending against agricultural produce to a greater extent than before, they do so only against the produce which has already left the hands of the cultivator and has come into the hands of the trader, the middleman in the market. Under these conditions practically no advantage can be taken by the cultivator of the credit so provided by these institutions. The chief reason for this state of affairs is that marketing of agricultural produce has not yet been properly organized. There are no licensed warehouses, and generally speaking no institutions with which the agriculturist can pledge his produce for an advance. Attempts have recently been made particularly in the United Provinces and Madras to organize marketing on co-operative lines and thus make finance from these institutions available to agriculture. These operations, however, form an insignificant proportion of the total business involved. The main obstacles in the way of such development are the lack of proper standardization of products, unregulated marketing, absence of warehousing facilities and as the natural result of all these factors, the total absence of agricultural paper from the money-market. Even in the U.S.A., a country more highly developed than India, it was found that lack of proper agricultural paper was one of the main difficulties in the development of sound agricultural finance. We are, therefore, strongly of the opinion that immediate steps should be taken by all provincial governments to organize marketing on proper lines, to set up a chain of warehouses in the country-side and thus help to bring into existence proper agricultural paper. Finance by joint stock banks and ultimately by the Bank of Issue, namely, the Reserve Bank of India, will thus be available. We generally agree with recommendation No. 59 of the Gadgil Committee (para 5, page 50—51)

(c) Under the third system the credit institution is entirely State owned. The well-known example of this system in modern times is that of Russia where the State provides the necessary finance without the assistance of any other agency. The Taqavi system prevalent in all the provinces in India is another instance of this type. There is a good deal to be said in favour of State managed institutions provided proper arrangements can be made for cheap finance to reach the agriculturist without delay and difficulty. It is here, however, that the greatest drawback of the system lies. We shall be reverting to this question later on in the course of this note.

(d) The next alternative is that of the combination of the State with a group of lenders lending either to the individual borrowers or to a combination of these borrowers. This system was tried as early as 1860 in France when the

Credit Agricole was organized. "It was to be established by the intervention of Governmnet, subsidized to some extent by it, managed by a Governor appointed and dismissible by the State, and yet be a private joint stock institution administered without State control and prospering entirely on its own resources." Commenting on its achievements, Nicholson remarks "the society not only failed disastrously in 1876 but it never dealt to any extent with agriculturists, owing partly to the highly complicated machinery necessitated in the issue of small loans by a central institution, expenses to borrowers were very high, reaching even 10 to 12 per cent. The society failed to penetrate into the rural tracts and to bring relief to the medium and petty cultivators who as in India form by far the greater part of the agricultural population."

A later example is that of the Agricultural Bank of Egypt which was set up in 1902 and in which half the capital was subscribed by the State. This Bank has now been working for some time in that country but the achievements of the Bank so far do not appear to be of a high character. About the working of this Bank it has been remarked that in many cases "the cultivators misapplied the borrowed money to unproductive purposes such as ceremonials, domestic joys and litigation often arising from boundary disputes. Overdue arrears began to rise from year to year, foreclosures and sale on a large scale followed with the help of the local magistrate."

It will not be out of place to make a reference to the recent history of agricultural credit in U.S.A. In that country, the Federal Farm Loan System came into being in July, 1916. Under this Act a Federal Farm Loan Board was created. This Board consisted of seven members with the Secretary of the Treasury as the ex-officio chairman of the Board. For the effective working of the system a Federal Farm Loan Bureau was organized. This Bureau worked under the direction of the Board. The members of the Board were appointed by the President for a fixed term and were full-time employees. The Board had vast powers of supervision and control over the entire system.

After 10 years' working, however, it was found that the system of supervision provided by the Board was not satisfactory. Consequently in 1926, the Congress set up a separate branch for inspection and supervision of the entire system and provided the necessary funds for the purpose. Under this system the U.S.A. was divided into 12 districts. In each district, a Loan Bank was instituted known as a Federal Loan Bank. The management of the Loan Bank was in the hands of the directors holding office for a fixed term and were to represent the shareholders consisting of Farm Loan Associations and and other individuals. Large funds were made available by the State to these Banks. Later on, however, in 1933 a Farm Credit Administration Act was passed by the Congress which completely centralized

the whole system and in the end has resulted in State management of the apex organization.

In New Zealand also the system started on the same model as in the U.S.A. but has now been completely changed into a State organization working through its branches. From these examples, it will be seen that wherever groups of lenders with State help are set up to function as the financing agency, the interests of the borrowers suffer. The above experiments which have been tried in other countries so far give us little hope for attempts on these lines developing into a satisfactory financing agency for the agricultural needs of India. We now propose to describe the proposals of the Gadgil Committee in this respect.

The Committee recommends the organization of Provincial Agricultural Credit Corparations at least half of whose capital is to be held by the provincial government and which is to operate throughout the province, through a net work of local agencies and sub-agencies. The conduct of the affairs of this Corporation is to be in the hands of executive officers appointed for a term of years by the provincial government, while its policy will be framed by a board consisting chiefly of the nominees of Government and representatives of other shareholders. The Committee recommends that half the share capital should be held by the State while the other half should be held not by private individuals but by selected credit institutions, chiefly joint stock banks, co-operative banks and marketing organizations. It is also proposed that the policy of the Corporation might have to be so framed that the share capital would not earn dividends in the early stages. The Committee feels that commercial and industrial banks would not object to this and would lend a helping hand to agricultural finance. We do not share the optimism of the Gadgil Committee in this respect and feel that commercial and industrial banks would not come in on these terms unless compelled by law to do so.

The Corporation is modelled on the lines of the Credit Agricole in Egypt and differs in many respects from agricultural corporations set up by other counties, e.g., Canada, where the share capital is entirely owned by the State. This Corporation, according to the recommendation of the Committee, is to function through local agencies and sub-agencies and this will mean the appointment of a very large staff for its day to day working. The Committee proposes that the Corporation should deal with individual borrowers although the ideal to be aimed at is to lend through co-operative societies or in the alternative to organize the individual borrowers into borrowers' groups. The recommendation of the Committee envisages to a large extent the disappearance of central financing institutions in the nature of co-operative central banks. The Committee proposes that the Corporation should lend at 6¼ per cent for current finance and at 4 percent for long-term loans and recommends large-scale State assistance to the Corporation to enable it to do so. Such assistance will partly be direct and partly indirect and may take various forms (paras 22,

27, 28, pages 37 to 39). Further State assistance is also recommended to enable the Corporation to meet the heavier costs of administration such as maintenance of agencies and offices and collection of loans, etc., in less developed tracts.

(e) The last alternative is that of borrowers organizing themselves into groups and negotiating for loans either from individuals or form groups of individuals, namely, the credit institutions. This in effect is the system of co-operative finance.

7. We now proceed to examine the suitability of these alternative methods as the agency for the supply of agricultural credit in India.

About private money-lending and credit through joint stock institutions we need add no more to what we have already said. As regards the remaining three agencies, viz., a purely State organization, a State-cum-lenders' organization and a co-operative organization, the question has to be viewed in the light of the conditions prevalent in India. It must further be realized that there are three stages involved in a system of agricultural credit, viz., (a) the primary stage of the ultimate borrower, (b) the secondary or intermediate stage of the district or tahsil organization and (c) the provincial or the apex organization.

(a) Primary Organization.

8. Finance can reach the cultivators either individually or through groups of borrowers set up ad hoc or through properly organized co-operative institutions. Under the U.S.A. Intermediate Credit Loans Act advances could only be made to members of Loan Associations which were co-operative organizations out and out. Under the Credit Administration Act of 1933, though provision was made for direct loans to individuals by the apex organization, this provision has not adversely affected the system of advances through associations and quite a considerable proportion of agricultural credit in that country is still through "locals", the land associations. Furthermore, in most parts of the U.S.A. agriculturists do not live in villages but live on their individual farm estates widely separated from each other. The idea of a common village and common village life is alien to American agriculturists. Indian conditions on the other hand are very different from those in the United States of America. Here the village exists with its own life and has its own economic, social and religious organizations. Secondly, the unit of holding in Indian villages is very much smaller than that in new countries like the U.S.A. Consequently, credit transactions with millions of illiterate persons will be necessary.

9. While therefore the system of credit based on advances to individuals direct by the apex organization may succeed to a limited extent in America, that will not be so in Indian conditions. The anxiety of the U.S.A. Government to set up co-operative organizations for agricultural advances by means of active State help and encouragement further shows that the system of apex organization dealing with individuals through branches or sub-agencies is not always a satisfactory one.

10. The example approximating to our conditions is that of Egypt. There the Agricultural Bank provides finance through its branches which obtain the help of the local village officials for the appraise-

ment and valuation of the security. We have seen that this system suffers from the defect of lack of proper supervision over the utilization of the loans and consequently has not resulted in any marked development of agriculture.

11. At the primary level, therefore, any agency that attempts to advance loans to agriculturists will have to reckon with the following facts :—

(i) As the holdings are small, the size of individual loans will also be small and consequently their numbers large. For the proper scrutiny of the loan applications an adequate machinery will therefore have to be set up.

(ii) Purely from the financial point of view these advances will not be safe if there is no supervision over the utilization of these loans. Only that system of agricultural credit can be regarded satisfactory which leads to agricultural improvement and consequently and method which only repeats the mistake of Egypt, as mentioned above, must be regarded as ineffective and unsatisfactory.

12. It is obvious that a paid agency that will be able to scrutinize millions of such loan applications and will further have to supervise the utilization of these loans must be very large and consequently the expenses of this agency will be very high. We have seen that in France these expenses reached the tremendous proportion of 10 to 12 per cent of the capital lay out, and feel certain that in the case of India the expense ratio will be equally high if not higher. That consideration alone rules out the choice of any such agency for our agricultural finance but that is not all.

13. An agency which owes its allegiance to a body not locally controlled suffers from the defect of departmentalism. It soon gets into a rut and moves only along the set groove. It is impervious to new ideas and cannot easily adapt itself to changing conditions. Its roots are not in the country and it is widely separated from the people whose needs its sets out to serve. The local official employed, therefore, becomes a symbol of anachronism and as his activities can only be subject to control by a body that is far away, be sooner or later degenerates into a local Hakim. It is under such a system that corruption becomes rife and tyranny of the petty official prospers.

14. If any justification were needed for these observations, the example of Taqavi loans could be cited as a case in point. There is general agreement on the point that the system suffers from inordinate delay in the grant of loans and from the malpractices of the lower officials.

15. We are, therefore, convinced that for a satisfactory system of agricultural credit it is necessary to employ an agency which will be—

(a) able to command the services of honorary workers to a considerable degree,

(b) will allow the fullest opportunity for local opinion to be mobilized to watch the day to day working of the system and to keep it on the right track by means of full publicity and healthy criticism, and

(c) will provide for the direct participation of the persons affected, viz., the borrowers in its running. In other words

the system must be such as will be the servant of the borrowers and not their master,

(d) it must provide for an efficient and trained technical personnel which though subject to the control of the representatives of the people must have the necessary security of service and must be protected against any victimization due to local factionist influences.

16. It is obvious that to fulfil the above conditions the only system that human genius has so far been able to devise is the co-operative method. Even the Gadgil Committee faced with this problem were compelled to acknowledge this fact in the following terms :—

"Theoretically, the ideal agency for the purpose would be a complete system of co-operative finance." (Page 28, para 5).

They further observed that :—

"There is little doubt that the best solution for this problem would be to induce such cultivators to form themselves into co-operative credit societies which are financed by the co-operative central financing agencies or, if need be, by the State Corporation. In case it is impossible to form co-operative credit societies in all such areas it will be necessary to create some kind of borrowers' organizations to form as a link between the local agency of a State Corporation and the large numbers of agriculturists-producer-borrowers scattered over the country-side.

"The main services that such borrowers' groups might perform are those of collecting the applications for loans and the information required in respect of them for all producer-borrowers in a locality and transmitting them to the lending agency. It might begin by being no more than an agent of the Corporation for joint transmission of applications and information and might slowly take on other functions or develop into an independent organization." (Pages 35 and 36, paras 18 and 19.)

17. We are, therefore, of the opinion that for a satisfactory system of agricultural finance, it is necessary at the primary level to organize the borrowers in such a manner that the services of honorary workers are available for the scrutiny of applications, for the supervision of loans, etc.

There are two ways of doing this :—

(a) to organize ad/hoc groups of borrowers and charge them with the responsibility visualized by the Gadgil Committee. This though a slight improvement on the system of "Zangira Bandi" tried for Taqavi advances will suffer substantially from the same defects,

(b) the group so set up is formed ad hoc and has no system behind it. It has no rules for its own formation. In technical language it has no by-laws like those of a co-operative society. It is just a mushroom growth and consequently allows personal and individual interests to dominate it.

18. It may, however, be urged that these groups need not necessarily be without rules and regulations. Even if they have these rules and regulations two questions arise : (i) the agency that is going to frame these rules and (ii) the organization or the service which will see to their enforcement. If the agency prescribing these rules is going to be the "group" itself, it is in no way different from a co-operative society. It is just a co-operative

organization without its name. If, in the alternative, the rules are prescribed by the lending organization, the interests of the borrowers go by the board. The group then functions as an agent of the lender and has little responsibility except the realization that the group as a whole may have to make good any losses that may accrue. Further, as the responsibility of each member of the group vis-a-vis the other members is determinable by the "principal" and not by the agent, the whole group is completely at the mercy of the lender. Obviously, therefore, such a system far from being the ideal is not even a desirable one. As regards the agency that should be employed to see to the enforcement of these rules if it is an agency paid and controlled by the lenders' organization, the observations that we have made earlier in this note will apply. On both these considerations we are reduced to the irresistible conclusion that the idea of the "borrowers' groups" for the provision of agricultural credit is one of those half-baked ideas which have been tried found wanting before and which is being suggested again for trial not because logic and reason lead one to that conclusion but because the authors fight shy of "the ideal agency" or "the best solution" because of its name.

19. In addition to the reasons given above, the proposal to start Credit Corporations in all the provinces has other serious objections :—

(1) The Credit Corporation will obviously only lend to credit-worthy persons which generally means persons with property. Agriculturists with little or no property will therefore get no assistance from it. Co-operative societies in rural areas certainly take into account the assets of the borrowers but that is not always the most important factor considered by them. It is not so much the assets of the man as his character and earning cappacity which guide the society in dealing with his loan application. In effect, therefore, the Credit Corporation will only lend to persons with tangible security and, therefore, persons without such assets will get no help from it.

(2) Direct lending by the Credit Corporation to individual borrowers will result in serious damage to the existing co-operative societies. Theoretically the Corporation is to function side by side with co-operative credit societies as an alternative agency. The Gadgil Committee recommends that the Credit Corporation with the assistance of the State should lend at the rate of 6¼ per cent for current finance, a rate at which existing credit societies are unable to lend. The Credit Corporation will only be able to do so as a result of large-scale assistance by the State (paragraph 22, page 37). With such State assistance the Corporation will attract all credit-worthy borrowers who will either not join societies or if already members will leave them. As a result co-operative societies will be left almost entirely with the non-credit-worthy borrowers. This will mean that sooner or later the Co-operative movement will have to be wound up. If the proposal were that co-operative societies should be wound up as they have not been able to tackle the problem of agricultural finance on comprehensive lines and that they should be substituted by this new agency, one could understand it. The Gadgil Committee, however, does not say so. Its proposal thus amounts to the State starting a third alternative agency in the

rural areas at a large financial cost to the State. We have also throughout our Report suggested large-scale assistance to the Co-operative movement at all stages including the primary stage of the village society. If the recommendations of our Committee as well as those of the Gadgil Committee are accepted, it would amount to the State financing on a large scale two agencies which in actual practice will compete with each other and will certainly not supplement each other to any large extent. It is absurd to expect the State to finance the Credit Corporation knowing that it will thereby seriously affect the growth of the Co-operative movement for the expansion and improvement of which the State has been giving some assistance and is being asked by us in our Report to increase that assistance a great deal.

(3) The existence of two such agencies is also likely to encourage duplication in borrowing, once from the co-Operative societies and once from the Corporation. Our experience has shown that people have joined societies and borrowed from them in addition to borrowing from the village money-lender. It is difficult to prevent such borowing from two agencies and exactly the same thing will happen if a third agency as proposed by the Gadgil Committee is set up.

(4) Throughout the body of our Report we have laid great stress on credit societies taking up other functions and in particular, marketing. The Gadgil Committee does not make any definite suggestions as to how provision of credit by the Corporation is to be linked up with marketing. Our Committee has recommended (paragraph 20, Chapter V) that loans should be given by co-operative societies to their members on the specific condition that they market their farm produce through the primary society. The primary society will market the goods through the marketing society which after the sale of goods has been made, will pass on the money to the primary society. The primary society will then recover its dues and pay the balance to the member. Such linking of credit with marketing will be possible only if the credit and marketing organizations are closely linked and working together under the same agency. The Credit Corporation will not be able to lay down any such condition and will in any case not be able to enforce them. This is a very serious practical difficulty and in our opinon is almost insurmountable. We shall come across similar difficulties though perhaps to a lesser extent in the case of other activities we have recommended the primary societies to take up, for example, collection of milk (paragraph 6, Chapter III).

(5) The Gadgil Committee has made no suggestions as regards the decision of any disputes that may arise between the Corporation and the borrower and as regards the recovery of its dues. At present all disputes between a co-operative society and its members in connexion with the business of the society are decided expeditiously by arbitration under the Co-operative Societies Act. As regards recovery, in some provinces awards obtained are executed as decrees through civil courts, while in some others, dues of co-operative societies are recoved as arrears of land

revenue. In one province co-operative officers have been invested with powers of civil courts for the purpose of recovery while in another, a special system of certification is prevalent. If the Credit Corporation really begins to function on the scale visualized by the Gadgil Committee, there will be thousands of disputes which will require adjudication. It might be suggested that these disputes may also be settled by arbitration but that will be difficult. In the case of a co-operative society disputes can easily be settled by an arbitrator who belongs to the village and is well known to the parties and enjoys their confidence. This will not be so in the case of a Credit Corporation which will largely be a lenders' organization. As regards recovery of dues of the Corporation, it will, in our opinion, be highly undesirable to provide for recoveries as arrears of land revenue. Such an arrangement may be justified if the Corporation were an eitirely State owned body or in the case of a co-operative society, but not in the case of a semi-public Corporation which will have the interests of the lenders at heart. This will, therefore, mean that recoveries will have to be made through civil courts in the ordinary course and this will result in heavy expenses on recoveries and harassment of the debtors. The Gadgil Committee has not dealt with these two important and practical difficulties which will stand in the way of efficient working of any such Corporation.

For all these reasons we feel that when we recommend the expenditure of large sums of the tax-payer's money on promoting a system of finance that will provide the necessary credit to agriculture at a reasonable rate, it will not be proper on our part to recommend the "second best" system in preference to the "ideal agency" or "the best solution of the problem." We, therefore, feel that it will be still more indefensible to recommend the "second best" as the ubiquitous "third alternative."

20. The second alternative is the co-operative way. It has been argued that although the ideal solution is the co-operative solution, it is not possible to put it into practice for various reasons. We shall now take these reasons one by one.

In the first place it is argued that Co-operation is a voluntary movement and it will be violating its fundamental conception to make it compulsory. The argument is based on the assumption that if the agency sponsored by the State is that of a co-operative society, only then persons intending to make use of that agency will be compelled to become its members. We must frankly confess that we are unable to appreciate this argument. There is common agreement on the point that for a considerable time to come private money-lending will have to be tolerated. We are further agreed that, side by side, steps should be taken to develop institutional credit for agriculture. In addition to these two commonly agreed sources of credit, the question arises of providing a third source of credit helped and sponsored by the State. The Gadgil Committee suggests Credit Corporations with borrowers' groups in the villages. To our minds as we have, we hope, clearly shown above, the only solution which merits consideration is the co-operative solution. If, therefore, the creation of Credit Corporations is not repugnant to the tenets of individual freedom and if there is no element of force or compulsion in that, we fail to see how that charge can be levelled against

the co-operative method. In either case the intending borrower has the option of going either to the private money-lender or to a joint-stock bank or to the Credit Corporation if the Gadgil Committee's recommendation is accepted or to the co-operative society, if our suggestion is acceptable. How one of these can be free and voluntary and yet the other compulsory when the conditions are ideal, passes our comprehension

21. Quite apart from the above considerations, we must admit that we do not in any measure subscribe to the view that there can be no planning for Co-operation, that all co-operative effort must be left to the spontaneous demand of the persons wanting it and that the society or the State should have no hand in creating that demand or in setting up co-operative institutions. Some very high authorities on Co-operation have declared Co-operation in India to be "a governmental policy" and have more or less dubbed it as condemnable on that score. We at once plead guilty to this charge though we strongly refute the inference. In fact our grouse is that it is not that measure of governmental policy as it should be. We do not consider that we need defend that position at all in the forties, of the twentieth century. Even if we leave Russia out of account altogether, we cannot shut our eyes to the example of that unquestionably democratic country, the United States of America. Under the Farm Credit Administration Act of 1933, Co-operation has been adopted as one of the corner-stones of governmental policy, and the results achieved need no further arguments to justify such action. The appointment of our own Committee and the whole programme of co-operative planning as recommended by us in our Report is the most complete answer to any such charge. In para 8 of Chapter II of our Report we have gone to the extent of saying that where a plan for its execution requires the co-operation of every section of the community, a resolution passed by the members of a co-operative society who form two-thirds of the community affected should be made binding by law on non-members also. In the body of our Report we have made various recommendations for the setting up of co-operative institutions and have even set targets for that. This we have not considered as unco-operative. We, therefore, fail to see how consistent with the above attitude we can say that by providing the cultivator, or to use a more high sounding phrase, the "agriculturist producer"—with a co-operative alternative as the third alternative agency for his loans, we shall be changing the character of these co-operative institutions from voluntary into compulsory organizations.

22. Objection has been raised that co-operative organizations cannot be relied upon to spread their activities all over the country in a given space of time. As we have recommended elsewhere, we visualize that it will be possible to set up co-operative organizations in at least 50 per cent of the villages in the country in ten years' time. Even if this were not possible there is hardly any reason to suppose that these Credit Corporations will be able to set up organizations in villages to a larger extent and with greater speed than the already existing Co-operative movement. The Co-operative movement exists to a great or lesser extent throughout the country and it is axiomatic that an existing organization will do better than a new organization which is yet to come into being. In provinces like Punjab, the United Provinces and Madras, the co-operative organizations have already made good progress and can be relied upon to increase their activities with an accelerated pace in future. In saying this we are guided by the recent ex-

perience of the cane organizations in the United Provinces and Bihar. Cane societies have been organized in cane areas practically all over these provinces. Starting from scratch in about 1925, they have now grown to such an extent that they are dealing with about 80 per cent of the total cane crushed by the factories in these provinces. The main reason for their success has been the provision in the Sugar Cane Control Act that no factory will be allowed to purchase cane from a member of a sugarcane union direct. In our Report we have visualized that in the immediate future planning by the provinces will lead to regulatory provisions for the marketing of all important agricultural produce and, therefore, we consider that the atmosphere for the success of the co-operative organizations will be more propitious in times to come.

23. The experience of the war years in the handling of controlled articles by co-operative organizations also supports the view that under favourable conditions the co-operative method can be very successful. Even in those provinces where co-operative organizations have not achieved the same measure of success as in the provinces mentioned above, we see no reason why it should not be possible for the co-operative organizations to be reorganized or fresh organizations started where needed. In our opinion the lack of success of co-operative organizations in most areas of this country has been very greatly due to (1) inadequate State help and (2) uneconomic unit of work. If, as we have visualized above, planned action on behalf of the State for the development of agriculture is coming forth and provided that the necessary help which we recommend alter is given to co-operative organizations, we see no reason why co-operative organizations should not be more useful than any other organization and furthermore without having to lose any of their co-operative character.

(b) Secondary or Intermediate Organization.

24. Coming to the secondary stage or the central bank level so to say, there are two ways possible. In the first instance it is possible to have them as branches or agencies of a central organization. This system prevails in Russia but there the conditions are materially different from those anywhere else. Under the Farm Credit Administration Act, U.S.A., has been provided with a centralized system but there every State land bank is more or less independent in the grant of loans to its "clientele". It is not necessary for us to repeat the arguments we have advanced earlier in the course of this note against the undesirability of keeping popular control out from the institutions that cater to the needs of the masses. We can only mention here that in our view such a system is bound to be inelastic, will cause delay in the administration of loans, will lead to official tyranny and will be unworkable with the basic organization. Furthermore, under this system it will not be possible to take advantage of local talent. This is specially important when we consider the question of local deposits. It may be of importance to note that even now most of the central banks are working on local deposits. If they become part and parcel of a central institution that position may not be maintained.

25. The other alternative is that of the prevalent co-operative type, the pattern on which central co-operative banks all over India are now established. This system has stood the test of time and in our opinion provides a satisfactory machinery for the administration of agricultural credit. We, therefore, do not see any

advantage in centralizing the whole credit administration on a provincial basis and are strongly of the opinion that save for the powers of inspection, audit and control with regard to the recruitment of staff and other details, the central banks should be left independent to administer credit organizations within their own jurisdiction.

(c) Provincial or Apex Organization.

26. We now come to the third stage, i.e., that of the apex organization. It can be either a purely State organization or a State-cum-lenders' organization with or without a sprinkling of borrowers' representative or a purely co-operative organization.

There is a great deal to be said for a purely State organization for agricultural credit. The apex organization in U.S.A. under the 1933 Act is virtually a State concern while in New Zealand the apex bank is owned and run by the State. Theoretically there is no objection to provinces setting up Government Provincial Banks for this purpose provided it could be guaranteed that in their working these institutions will not suffer from the defects of rigid red-tapism and that they will in no way try to deal direct with the individuals. In fact there is a strong body of opinion which considers that it is the function of the State to provide the necessary finance for agricultural operations as other financing agencies like joint-stock banks are not prepared to do so on any appreciable scale. The State has large responsibilities in this connexion and one way of carrying them out is to organize such a State bank. So far the State has taken little or no direct interest in the provision of finance for agricultural operations and has left the task largely to the money-lender and partially to the co-operative societies. In the last few years on account of fair crops and high prices, co-operative societies, central banks and provincial banks have not found any difficulty in finding the necessary finance for their members. This position, however, cannot continue for long and sooner or later it will be difficult to get the necessary funds for such investment. Many banks are unable to raise capital locally or borrow it from the provincial banks at a low enough rate of interest. If the Co-operative movement is to expand on the lines recommended in the body of our Report a very large number of new societies will have to be started and membership will increase to many times its present number. The finance required may not be available easily in the money-market and the State may therefore have to help. The State could do this either by guaranteeing deposits made with the provincial and central banks or by itself lending the necessary amounts to these banks having raised the funds by floating loans in the market. The State has done this either directly or indirectly in many countries and the case for doing so in this country is very strong. In practice, however, we see no advantage in setting up such a State institution. Almost every province in India has a provincial co-operative bank and it is unnecessary to set up a separate organization in preference to assisting the existing banks. Where need is felt for stricter State vigilance over these banks, and we visualize that with the help that we are asking the State to give, it will be necessary to have a great measure of control over the apex institutions, there should be no difficulty in bringing that about by a special agreement with the banks. There is nothing novel in this suggestion. After all we must remember the examples of other countries cited above.

27. As regards the second alternative, namely, a State-cum-lenders' organization we cannot support that suggestion. We have already dealt with the various difficulties and defects of such an organization at the primary stage and it is unnecessary to repeat those arguments here. Experience shows that in any such alliance the interests of the borrower who needs the greatest protection go by the board. In such cases the whole approach to the question is from an entirely different angle. It is the high dividends and the greatest tangible security which are the determining factors in the work of any such organization.

We may here cite the example of the United Provinces as late as 1938. In that year a private limited company in the name of the Industrial Financing Corporation was set up with Government aid and Government guarantee of a dividend at 4 per cent for a number of years on the capital issued. The company was to be managed by a board of directors. Three members of the board including the chairman were to be nominated by Government. The basic idea in floating this company was to promote industries in the province and to make advances to cottage industries in particular. In actual working it was discovered that advances to small industries were not favoured by the management of the company and as a result, Government withdrew their directors from the board and we understand that the matter has been referred to arbitration. We are definitely of the opinion that with any such attempt at organization in the field of agricultural credit the results of the Industrial Corporation will be repeated. To our minds, therefore, while there can be a question of choice between a State bank and a co-operative bank at the provincial level there can be no question of setting up a Credit Corporation of the type mentioned above.

28. This brings us to the last alternative, namely, a co-operative bank as the apex organization. At present provincial banks in almost all the provinces are finding no difficulty in attracting deposits. Actually they are finding it difficult to invest the deposits they have taken and are therefore investing them almost entirely in Government Securities. This position it is true, will also change and when the number of societies and members increase as we have contemplated elsewhere in our Report, there may be difficulty in getting the necessary funds for making loans and advances to central banks. State assistance will be necessary in that event. This may be either in the form of guaranteeing deposits or by way of direct advances. It may also be necessary to attract more funds from joint-stock banks into the Co-operative movement and for this legislation may be required. The law already makes it compulsory for insurance companies to invest a large percentage of their life fund in Government Securities and there is no reason why they should not be required to invest a small percentage of their funds in provincial co-operative banks. Joint-stock banks may also be required to do so. This is, however, a matter which will require very detailed examination and we do not feel ourselves called upon to make any definite proposals in this respect.

29. As we have, shown above, the first step to put agricultural finance on a sound basis is the creation of easily marketable agricultural paper and thus attract capital on large scale to finance agriculture. It will be seen from the arguments advanced by us above that this object can be best achieved if the provincial bank

in each province is utilized as an agency for that purpose. With that end in view we make the following recommendations :—

(1) If any province is without a provincial bank immediate steps should be taken to start one.

(2) In consultation with the provincial co-operative bank, the provincial government should fix a minimum share capital for the bank. A time limit should be fixed for the sale of these provincial bank shares and any shares remaining unsold at the end of the specified period should be taken by the provincial government itself.

(3) A minimum dividend of 3 per cent on these shares should be guaranteed by the provincial government for the first five years.

(4) The principal and interest on any debentures that are issued by the provincial bank should also be guaranteed by the provincial government.

(5) All costs of supervision, audit and inspection should be met by the State subject to the proviso that the dividend on the shares does not in any year exceed 6 per cent and further that the rate of interest charged from the individual borrower does not exceed 4 per cent on long-term loans and 6¼ per cent on short-term loans.

(6) The provincial government should also consider the question of attracting share capital and deposits from joint-stock banks and take such legislative action as may be necessary in this respect (see paragraph 28 above).

Provincial banks, if reorganized on the above lines, should be able to meet, in the course of the next few years, all the legitimate requirements of agricultural finance. We, have, we hope, succeeded in putting forward our point of view strongly and fairly and feel that the case against the starting of Credit Corporations in the provinces is overwhelmingly strong and trust that no provincial government will accept this suggestion.

30. There is also another point on which we have to record our strong disagreement with the rest of our Committee. Our Committee, in Chapter XV on Administration and Law-Co-operative Law, has recommended that urban banks fulfilling certain conditions may be permitted to invest up to 40 per cent of their surplus funds in such manner as their boards may unanimously determine. Section 32 (1) of the 1912 Co-operative Societies Act permits a registered society to invest and deposit its funds in a certain manner. In most provinces, the Registrars have laid down certain rules in this respect. These rules have been laid down with the object of ensuring that investment of the funds of a registered society is safe and that such funds are not invested in speculative securities. This has been done with the object of safeguarding the interests of the members of such societies. We were all agreed that in rural credit societies the management, in a vast majority of cases, was not really competent and should not, therefore, be permitted to go beyond the provisions of the Act and such other rules as the Registrar might make. In urban banks, particularly in Bombay where the management was more efficient it was felt that some relaxation may be permitted. The Committee, however, has gone much further and recommended that urban banks should be permitted to invest a certain percentage of their surplus funds in such manner as their boards may unanimously determine. We consider that this is one of the most reactionary recommendations

of the Committee and oppose it for the following two important reasons :—

(1) Management of urban banks particularly in Bombay is largely in the hands of persons who are also connected with joint-stock concerns and we feel that there is a serious danger of funds of societies being used in joint-stock concerns whose stability is doubtful. Recently, a large number of joint-stock banks have been started in the country and have, under war conditions, prospered. It will be admitted by all that as a whole this is a mushroom growth and that a large number of them are not likely to weather the storm which is sure to come sooner or later. There is a serious danger, therefore, that investment of funds in such banks and other similar concerns will result in serious loss to the members of urban banks.

(2) The Gadgil Committee has rightly pointed out that the amount of money required for the legitimate requirements of agricultural finance is many times the amount that is now available from co-operative societies. They have, therefore, recommended that institutional credit should be made available to agricultural finance and for this purpose have recommended various steps. Adequate storage accommodation, warehouses and regulated marketing form one chain which will result in the creation of sound agricultural paper which can be discounted with joint-stock banks. Even then all the requirements of agricultural finance are not likely to be met and, therefore, every penny that is available from co-operative societies in the urban areas should, in our opinion, be made available for agricultural finance. Urban banks have prospered as well as they have done, partly because of efficient management but largely because of the large-scale concessions given to them by the State in the form of exemption from income-tax, registration fees, etc. The State, therefore, has a right to ask these banks to use their surplus funds for agricultural finance. Every effort should, therefore, be made to keep the co-opeartive structure as one unit and urban banks should not be permitted to invest their surplus funds in joint-stock and similar concerns when the demand for funds for agricultural finance remains unsatisfied. The existing restrictions in regard to investment of surplus funds of urban banks should, therefore, remain and the relaxation proposed by the Committee should not be made. We are, therefore, strongly of the opinion that the scope of investment of co-operative funds as has been proposed in the case of urban banks will be derogatory to the movement and therefore record our strong disagreement with recommendation number (IX) in Chapter XV-Co-operative Law.

31. In conclusion, we record our thanks to the Chairman and our other colleagues for the courtesy and patience they have shown us throughout the time we have had the privilege of working with them.

(Sd.) SIDDIQ HASAN,
Registrar, Co-operative Societies,
United Provinces.

(Sd.) M. R. BHIDE,
Registrar, Co-operative Societies,
and Director, Rural Reconstruction, Punjab.

12th January, 1946.

D. SUMMARY OF CONCLUSIONS & RECOMMENDATIONS.

CHAPTER II.

CO-OPERATION AND PLANNING.

Conclusions Recommendations. No.		Paragraph No.
1	The successful working of a plan of co-operative development assumes among other things a responsible, democratic form of Government, (as it alone creates an atmosphere for the development of individual initiative and sense of responsibility) and the end of the policy of laissez-faire by the State. This means assumption by the State of enlarged functions in spheres like education, communications, health, agriculture, industries, etc., and adoption of a policy of active economic development.	7
2	Planning in Co-operation does not mean a departure from the voluntary principle governing the membership of a co-operative society ; the principle should be respected and no one should be compelled to join a society. However, in certain activities essential for economic progress, like consolidation of holdings, crop protection or irrigation, the desired object may not be attained without resort to compulsion. In such cases, a resolution passed by the members of a co-operative society who form two-thirds of the community should be made binding by law on non-members also. A responsible agency should be set up to determine whether a particular scheme is essential.	8
3	But responsible nation-building departments of the Government with a new outlook will be able by means of education, propaganda, persuasion, demonstration and denial of privileges to non-members to bring about the organization of co-operative activities along planned lines without resort to compulsion.	9
	The co-operative society is the most suitable medium for the democratization of economic planning as it provides the local unit which can fulfil the dual function of educating public opinion in favour of a plan and of executing it.	10
	Large-scale improvements can be introduced successfully only through organized bodies built upon the smallest and the most numerous economic units. The Co-operative movement which reconciles the conception of large-scale economic planning to individual enterprise and initiative is about the only machinery suitable for the purpose.	11
4	Co-operative planning, like any other kind of planning, should receive direction and guidance from the State. The State should also educate public opinion as to the	12

Conclusions & Recommendations. No.		Paragraph No.
	most suitable lines of co-operative development and provide the atmosphere and facilities for such development.	
	However, the co-operative agency can successfully carry out the plans only if it enlists the full support of non-official co-operators both in drawing up and carrying out plans of co-operative development.	13
	The machinery of consultation and administration should, therefore, be so designed as to permit constant interchange of views and opinions between the non-official co-operators and the officials.	
5	Any plan of post-war development should take into account the problem of the resettlement of ex-services persons and also of the utilization of their training and experience in the various branches of the Army. There would appear to be a great opportunity for imparting a widespread impetus to the Co-operative movement through ex-servicemen and women.	14
	Every effort should be made to attract such persons into the co-operative fold, either as members of existing societies or to start new ones or as staff for the expansion of the movement. In all cases, they should be encouraged to invest their war savings and gratuities in co-operative societies.	
	Any special assistance given to ex-soldiers should, as far as possible, be given not individually but collectively, preference being given to a co-operative form of organization.	14
7	The Co-operative Department in each province should, therefore, arrange for publicity to the Services; through the employment agencies set up to assist the resettlement of ex-services personnel; through Sailors', Soldiers' and Airmen's Boards, and by any other means considered suitable.	14
8	The main causes of the limited progress of the Co-operative movement in India are the laissez-faire policy of the State, the illiteracy of the people and the failure of the movement to tackle the life of the individual as a whole, the other causes being the small size of the primary unit and undue reliance on honorary services with resultant inefficiency in management.	16

CHAPTER III.

AGRICULTURAL PRODUCTION.

9	A systematic survey should be made by provincial governments to find out how much of the existing culturable wasteland is capable of making a contribution to agricultural production and under what conditions. The extension of cultivation should principally be effected through improvement of the yield as, in most provinces, a large part of the unculturable area has to be conserved for purposes of re-afforestation, if the existing tendencies of soil erosion are to be checked.	

Conclusions & Recommendations. No.		Paragraph No.
10	Co-operative societies should be made the principal agency for popularizing the use of and distributing improved implements as they already play an important part in the supply of farm equipment.	2
	The functions of improvement of seed and investigation of its adaptability to local conditions of soil and climate should be undertaken by the Agricultural Department, but the distribution of improved seed at the commercial stage must be made through co-operative societies as the official agency being small in size cannot reach all individuals and effectively supervise the use made of the seed. The distribution of fertilizers should also be arranged through co-operative societies. Schemes for establishing plantations for the supply of fuel with a view to conserving farmyard manure should be adopted all over India. Such schemes should be prepared by the Forest Department and executed by co-operative societies.	
	Co-operative societies should encourage their members to make use of leguminous crops and green manures on a larger scale than at present.	
11	Works of irrigation should continue to remain the primary responsibility of the State as it alone has sufficient resources to undertake such works. But much of the field work connected with the distribution of water, like fixation of outlets, allocation of supplies to fields, repairs and maintenance of channels as distinguished from those of the machinery or the head-works, and assessment and collection of water rates, can be delegated to co-operative societies.	2
	The construction of minor irrigation works should be entrusted to co-operative societies in preference to individual contractors and should be financed either by Government or by co-operative financing institutions where they exist, under proper safeguards and on the security of the land likely to benefit from these works. If some plot-holders whose lands are likely to benefit from these works refuse to join a co-operative society undertaking their construction, the Collector of the district should be empowered to make a proportionate levy on them and recover it as arrears of land revenue. State assistance for sinking wells should be given through co-operative societies.	
12	A large expansion of the means of communication is necessary if farm equipment and products are to move freely within the country. The scheme of expansion should be undertaken by Government. The Co-operative movement can play a useful part in the organization of transport co-operatives and labour co-operatives for the construction and maintenance of roads.	2
13	There should be active participation by the State in all activities relating to agricultural development, but as the official agency is small in size and as there are certain items of work in which success will be achieved better by the voluntary effort of non-officials, agencies	4

Conclusions & Recommendations. No.		Paragraph No.
	which would harness local talent should be sought and encouraged. The village co-operative society is a useful instrument of economic development.	
14	As the supply of credit touches only one aspect of the life of the cultivator the activities of the primary co-operative societies should be so extended as to cover the whole of his life. The primary credit society should, therefore, be reformed and reorganized so as to serve as a centre for the general economic development of its members.	5 & 6
	The membership of the primary society should be open to all persons residing in its area of operation. The society should be so organised as to have at least fifty members and its area of operation should be such as would permit adequate business and, at the same time, efficient supervision and effective control.	7
15	Where unlimited liability has been found to work successfully, no change in the liability of the primary society is called for.	14 & 15
	In most provinces, however, unlimited liability has not been very helpful to the progress of co-operative credit and the trend of thought is in favour of limited liability. Therefore, except where unlimited liability has produced good results, the liability of the reformed and reorganized primary society should be limited either to the value of shares held by a member or to a multiple thereof provided that a substantial part of the funds required by the society can be raised through share capital.	
	There may, however, be cases where unlimited liability is more appropriate ; such cases should be treated by the Registrars on their own merits and with regard to local opinion and circumstances.	
16	An attempt should be made to bring 50 per cent of the villages and 30 per cent of the rural population within the ambit of the reorganized primary societies within a period of 10 years, in two five-year periods. The membership of a primary society should be at least fifty. To reach these targets, on an average, 1.08 million persons should be brought into the co-operative fold and 21,600 societies organized each year.	8 & 10
	Government should give a subsidy amounting to 50 per cent of the cost of management to all the societies, existing and new, for the first five years.	9
17	There should be two Supervisors and one Auditor for every group of 50 societies, one Inspector for 100 societies, one Assistant Registrar for 1,000 Societies and one Deputy Registrar for each Revenue Division.	11
18	Co-operative societies should be encouraged to take up consolidation of holdings and legislation for the consolidation of holdings should be passed in those provinces where no such legislation exists at present.	19

Conclusions & Recommendations. No.		Paragraph No.
19	However, for a permanent solution of the problem of increased agricultural production, some form of large-scale cultivation is necessary. Among the four forms of large-scale cultivation, *viz.*, collective farming, State farming, corporate farming and co-operative farming, the first is not suitable in the existing circumstances of India ; the second should not be taken up except for purposes of experiment and demonstration by the State on lands already held by it ; the third is not recommended, because it suffers from the usual defects of a capitalistic organization ; the fourth, which does not interfere with the proprietary rights of the cultivators, has a fair prospect of success, and should be introduced in every province.	20, 25 & 26
20	The co-operative farming societies may be of any of the following four classes :—collective farming, tenant farming, better farming and joint farming.	27 to 34

The organization of a co-operative collective farming or a tenant farming society depends upon the society's owning land. The State, whenever it acquires land, by reclamation or otherwise, should set it apart for the settlement of ex-servicemen and landless labourers and when these men are settled, they should be organized into co-operative collective farming or tenant farming societies. The capital outlay of these societies on agricultural machinery or operational needs should be provided by the State.

Co-operative better farming societies should be more extensively organized. There should be at least two such societies in each district. The State should provide them with technical and financial assistance.

The organization of co-operative joint farming societies may not be feasible in all places in India. A modest beginning should be made by organizing two such societies in each suitable district. These societies should be organized wherever possible on the lines suggested in the Report and experiments may also be made on the lines suggested by Mr. Tarlok Singh, subject to such modifications as may be considered necessary in the circumstances of each locality. The State should promote the formation of such societies and give them suitable financial and technical assistance. Their working should be watched by the Co-operative Department and, after three years of their establishment, a report on them should be submitted by the Department to the Provincial Co-operative Council which would then decide whether more such societies should be started and suggest suitable areas for the new societies. In the first few years, the expenditure of the entire establishment of the society should be met by the State. The State should promote the formation of such societies by means of grants, subsidies and technical assistance, and by supplying the services of farm advisers or manager or other staff.

The central co-operative bank of the district to which the co-operative joint farming society is affiliated should

give short-term and intermediate-term loans. Its long-term financial requirements should be provided by land mortgage banks on the security of land managed by the society. A subsidiary agreement should be taken from each member authorizing the society to pledge his land for the loans raised by the society for land improvement. If the co-operative banks are unwilling to provide the necessary finance for want of proper security the State should, where necessary, provide the long-term finance or guarantee the loans granted by co-operative banks.

21 As many demobilized soldiers may find it advantageous to join co-operative farming societies it would be desirable to have them trained for this purpose in improved methods of agriculture in classes especially conducted for the purpose by the Agricultural Department. 35

22 Before a co-operative farming society decides to introduce mechanization, it should apply to the Provincial Co-operative Council through the Registrar of Co-operative Societies for its advice, and, if the Council is satisfied that mechanization will improve agricultural production on the farm of the society, it should recommend to Government to give necessary help, financially and otherwise, for the supply of machinery required by the society. 36

23 The production of fruits and vegetables should be increased on a large scale. 43

As the first step in a policy concerning the production of fruits and vegetables in India, the Agricultural Departments should review the production and requirement of each region, determine what increase and of what kind are necessary, and suggest areas suitable for growing fruits and vegetables. After the areas have been selected, Co-operation can undertake the organization of fruit growers. 37

In every area found suitable for fruit growing, cultivation of fruits should be undertaken through co-operative societies. 44

The functions of the societies should be:—

(a) to encourage self-help, thrift and co-operation among members,

(b) to act as the agent for the joint purchase of the requirements of members,

(c) to teach members improved methods of cultivation of fruits, and supply implements, seed, manure, grafts, insecticides and sprayers.

(d) to arrange the sale of fruits of members,

(e) to give loans to members for cultivation, and,

(f) to undertake such other activities as are incidental or conducive to the growing and marketing of fruits.

The funds required by the societies (a) to finance cultivation, (b) to make partial payment prior to sale of

Conclusions & Recommendations. No.		Paragraph No.
	produce, and (c) to buy, build or lease inexpensive plants, should be obtainable ordinarily from the central co-operative bank and for a period extending up to seven years. When a sufficient number of fruit and vegetable growers' co-operative societies have been organized in a particular area, they should be federated into Marketing Associations for co-ordinating the activities of the primaries, specially as regards supply of improved seed and manure, provision of cold storage and transport facilities and opening sales depots. Finance for seed and manure and for running sales depots should be obtainable from co-operative central banks. The State should give financial assistance for the provision of cold storage and refrigeration.	
	In order to avoid seasonal gluts and scarcity, fruit preservation and canning industry should be established. This industry should receive protection against foreign competition. Where sufficient cold storage facilities are not available on any railway or any other forms of transport service, the fact should be reported by the Registrar to the Provincial Co-operative Council which should arrange for necessary facilities.	43
	The Co-operative Department in each province should appoint a Fruit Growing Officer, with the necessary staff who will work under the Registrar and promote, supervise and guide the work of fruit and vegetable growers' co-operative societies.	44
	The fruit and vegetable farms which have been organized with the assistance of the military authorities should be handed over to and managed by civilians including ex-servicemen, on co-operative lines. It is necessary to ensure that the benefit of increased production and the experience gained during the war should not be lost.	41
24	Where municipalities adopt the "Green Belt" scheme, prepared by the G.H.Q., the Green Belt farms and industry should be organized on co-operative lines. Where land within the Green Belt is on sale the municipality concerned should purchase it and make it available on easy terms to co-operative societies, the membership of which should consist of the existing owners of the plot of land in the area, and ex-servicemen.	42 & 44
25	Forest preservation, protection and management should be the special responsibility of the State. Co-operative societies of the owners of land which is either unculturable or is covered by scrub jungle should be formed with the objects of planting trees on the culturable waste land and improving the scrub jungle so as to provide supplies of timber for building purposes or for agricultural tools and implement, or of wood for fuel.	46 & 49
	The Registrar of Co-operative Societies should, in consultation with the Forest Department, organize Co-operative Forest Development Societies in suitable villages in which surplus land for afforestation is available.	

Conclusions & Recommendations. No.		Paragraph No.
26	Co-operative societies should also be formed in the villages which suffer from excessive erosion and have been badly cut up by ravines. A scheme in each such village for the protection of ravine lands should be prepared by the Forest Department, and its execution entrusted to a co-operative society of the owners of the land, under the supervision of the Forest Department.	50

CHAPTER IV.

ANIMAL HUSBANDRY AND FISHERIES.

27	The function of selecting improved breeds of cattle and supplying bulls in sufficient numbers to a locality should be undertaken by the State. For this purpose, the State should establish cattle farms, first, in the principal cattle-rearing areas and later in other areas. To eliminate scrub bulls and other bulls not required for breeding, it should enact legislation providing for the compulsory castration of such animals over a certain age and should entrust this work to the Veterinary Department.	4
28	Every primary co-operative society should have its members' cattle served by approved bulls. To defray the expenses, the society should levy a fee on members either at the time when an animal is served or when it calves, and may also collect a commission when an improved stock is sold. Loans to members for the purchase of superior cattle should be advanced on easy terms by the State, through co-operative organizations.	5
29	The Co-operative and Veterinary Departments should take active interest in the work of cattle improvement and should encourage the rearing of good animals by periodically holding cattle shows at which prizes should be awarded to animals of outstanding qualities.	5
30	With a view to providing the nomadic cattle-breeders with facilities for improving their animals, they should be organized into co-operative societies, inducement being provided by the State or local authorities by reserving grazing areas for such societies. Surveys should, therefore, be made with a view to finding out whether grazing land exists which could be allotted to these societies, and Government farms should supply pedigree bulls and rams to them.	6
	Primary village co-operative societies should acquire on lease grazing lands where available and allow members, on payment of stipulated charges per animal, to graze their cattle on them according to a scheme of regulated grazing prepared by the society and approved by the Forest Department.	7
31	Rural co-operative societies should undertake to conserve fodder through silage, for distribution during the dry season. This function should ordinarily be undertaken by the multi-purpose societies. But when the out-turn	8

Conclusions & Recommendations. No.		Paragraph No.
	of silage is great, a special society may be established for this purpose. The Forest Department should permit such societies to remove grass from the Reserve forests free of cost for ensiling purposes. The Agricultural Department also should assist societies undertaking silage making.	
32	The Veterinary Department should extend its services so as to reach as near as possible to every cattle-owner; in the urban areas, a veterinary centre in a convenient part of the town would suffice; in the rural areas, while it would be ideal for each village to have its veterinary post, there should be at least one veterinary centre for a group of 2 to 5 villages.	9
	In order that co-operative societies may know the arrangements made from time to time in each area by the Veterinary Department, the Co-operative Department should obtain up to date information from the Veterinary Department regarding the veterinary services maintained in each area and make such information available to each society. The society should report to the local veterinary office the outbreak of epidemics, persuade members to bring their diseased cattle for proper and timely treatment and see that the disease-controlling measures are carried out.	
	The veterinary personnel, besides attending to disease, should also periodically visit the village and inspect the cattle.	
33	Co-operation is the most suitable form of organization for bringing together the producers of milk in suitable groups so as to enable them to adopt improved methods of milk production. There is also considerable scope for co-operative organization in the distribution of milk.	10
	Co-operative societies of milk producers should be formed in the villages situated within a radius of about 30 miles from towns with a population of 30,000 or more. The societies should especially be formed in those areas lying beyond a distance of 10 miles of a town. If a majority of members of the village primary society is interested in milk supply, it should serve as a milk collecting agency also; in villages where there is no such collecting agency, a separate milk supply society should be organized.	16
	A minimum daily quantity of milk which each society must produce and supply should be prescribed. The quantity will vary according to the local conditions; but a minimum of 300 lbs. should be aimed at.	
34	The functions of the village primary society or the milk supply society will be to notify to the milk union at the commencement of each month the approximate quantity of milk its members can supply daily, disburse payments to its members at the end of each month, and distribute among members any subsidy given by the union.	16
	Members' cattle should be milked in the presence of the secretary of the society in charge of milk supply and at a conveniently situated common shed, which should	

Conclusions & Recommendations. No.		Paragraph No.
	have, among other things, an impervious floor and covered roof. Where such common sheds are not available, a scheme whereby the members can supervise each other's milking should be prepared. The funds for constructing the shed should be provided by the State.	
35	The ordinary financial needs of the members for, *e.g.*, the purchase of cattle of an improved breed or cattle feed, will be satisfied by loans and advances made by the village primary society or the milk supply society. These societies will draw their funds from loans from the milk union or the central co-operative bank.	16
36	The milk unions will be entirely producers' organizations, formed by a federation of the village societies organized for milk supply. The number of societies affiliated to a union will depend upon the location of the societies, their distance from the union, etc. Milk from a group of villages, should, if necessary, be first collected at a primary collecting centre and transported to the union therefrom.	17
	The main function of the unions will be to collect milk in villages, transport it to the towns and market it to the best advantage of the producers. The milk arrangements to be made by the unions must include (i) a guarantee to the producers of a fair price for a standard quality of milk, (ii) the appointment of a supervisor for a group of villages within the itinerary of a single milk collecting van, who is to weigh and test the quality of milk and generally supervise the work of the village societies, and (iii) the provision of speedy transport vehicles and sanitary milk containers to move the produce from the village to the union's office in the town either directly or *via* the primary collecting centres.	
37	The State should bear the entire capital expenditure of the unions for purchasing transport vehicles and milk containers, and 50 per cent of their working expenses during the first five years.	17
38	An attempt should be made to organize co-operative societies for the distribution of milk, wherever possible.	19
39	In large cities, such as those with a population of one lakh and over, the interests of the consuming public may be served best by the establishment of statutory Milk Marketing Boards. The Boards would be public corporations composed of the representatives of Government, the municipalities, co-operative milk supply unions and producers of milk. They would be authorized to purchase raw milk from milk unions. They would then pasteurize and distribute it to consumers and process any surplus into milk products. They would guarantee to the unions a fair price for milk of tested quality and an offtake of all the produce collected. While these Boards would not have a monopoly of the liquid milk market, they should be in a position to supply, say, 30 per cent of the requirements of the cities in which they are established.	19

Conclusions & Recommendations. No.		Paragraph No.
	In those towns where co-operative societies for the supply of milk already exist and are functioning well or can be organized, no Milk Marketing Boards need be set up.	
40	In order to make an effective contribution to the organization of milk supply to towns, about 300 milk unions will have to be started within a period of five years. The State should bear their capital costs to the full extent and the recurring costs to the extent of 50 per cent.	20
41	In the larger cities where producers experience great difficulties in maintaining dry cattle, special co-operative societies should be organized for doing the work of salvaging the dry animals. These societies should collect at convenient intervals dry cattle as well as young stock which the owners in cities are unable to rear and send them to neighbouring pasture lands acquired on lease for the purpose. The cattle should be placed in charge of the Veterinary Department of Government which should be equipped with the necessary staff. Every member sending his cattle to the salvage depot should do so at his own risk.	21
42	Co-operative dairy farms, on the lines of the military dairy farms, where animals can be maintained in colonies, should be established on the outskirts of towns and cities, and owners of milch cattle particularly 'gowlis' and others owning a few cattle in large cities should be induced to form co-operative societies. They will settle in these colonies with their cattle. The societies should provide stables, milking yards, dairies, stud bulls, veterinary aid, storage accommodation for feed, etc. Each member will look after his own cattle stationed in the stables and deliver milk to the societies' dairy. Such societies should be offered by Government or local bodies sites on attractive terms, for keeping their cattle, at convenient distances from the cities. These societies should adopt improved methods of milk production which have already been current in the military dairy farms, engage some of the personnel which will be released from the military dairies in course of time, and arrange for proper care of dry animals, rearing of the young stock, and provide facilities for proper grazing, silage making, etc. They should also be able to supply regularly the milk produced by the cattle kept by them to milk unions or consumers' milk distributing societies in the urban area.	22
43	In those areas where there is no local market for liquid milk or where milk is generally in surplus or where the manufacture of milk products is an important cottage industry, co-operative societies should be organized to undertake the manufacture of dairy products such as butter, ghee, khowa, casein, etc., these co-operatively made products being 'Agmarked.'	23
44	Attempts should be made to organize co-operatively the flock-owners in the north-western parts of the country	24

Conclusions & Recommendations. No.		Paragraph No.
	such as Rajputana, North-West Frontier Province, Baluchistan, etc., as well as in other hill regions where sheep-rearing is practised on a large scale. The Provincial Co-operative Council should examine the needs of particular areas for setting up co-operative societies for sheep-breeding. The State should provide these societies with the staff and equipment necessary to undertake the freeing of wool from dirt and yolk and the grading of the product.	
45	Every province should have a Model Poultry Farm at convenient centres the cost of which should be borne entirely by the provincial government. It should be entrusted with the duty of propagating improved breed of poultry by acting as a nursery from which better breeds will be taken; it should advise individuals or associations interested in poultry breeding as regards the feeds, protection against diseases, incubation and rearing of chicken; it may undertake the disposal of the product of poultry farms and may also introduce the use of improved containers for the packing and transport of eggs; and it should establish contacts with large customers like the Army or hotels or organized markets so that it can be in a position to give information on the marketing of eggs and chicken to the persons or societies who or which deal with them.	26
46	The Co-operative Department should take advantage of the Central Model Poultry Farm by widening the functions of the existing poultry farming societies and starting new ones, and bringing the latter in close contact with the former. To discharge this duty effectively, it should have a special officer and staff to promote, supervise and guide the work of poultry farming societies.	26
47	The scope for Co-operation in making available to the country valuable by-products of animal husbandry should be fully investigated by the Provincial Co-operative Council.	27
48	The recommendation made by the Fish Sub-Committee of the Agricultural Policy Committee that no real advance can be made unless the Government of India accept full responsibility for placing the fishing industry of the country as a whole on a firm foundation and provide finance for both direct and indirect assistance to this very backward and neglected industry, is endorsed.	32
49	Co-operative societies of fishermen should be organized on an extensive scale and State aid to the fishing industry should be largely given through them. These societies should give financial assistance to their members and stock and sell fishing craft and tackle at a fair price. They should also undertake marketing functions, *i.e.*, functions involving proper arrangements for handling, assembly, preservation, transport and distribution of fish.	32
	These societies should be grouped together under central societies which should have their headquarters in towns. The main function of the central society should	

Conclusions & Recommendations. No.		Paragraph No.
	be the organization of fish markets and marketing of fish.	
50	Central co-operative banks should provide finance for working expenses both to primary and central fishing societies.	33
51	Some of the ex-services personnel are already trained in veterinary science, animal husbandry and poultry farming, and can be employed by co-operative organizations. The fishery industry offers an opportunity for the employment of ratings who have served in the Navy, specially those recruited from Konkan and Ratnagiri districts of Bombay and the coastal districts of Bengal, Assam, Orissa and Malabar.	34

CHAPTER V

AGRICULTURAL MARKETING.

52	Free and fair competition does not exist in most markets. The primary producers lack education and knowledge and are at a disadvantage in dealing with big business and with middlemen who have no hesitation in taking advantage of the former's weak position. These disabilities provide the justification for co-operative marketing.	4 & 5
53	The management of a marketing society should be entrusted to an efficient and well-paid manager who is honest, reliable and capable and possesses the knowledge of the commodities with which he has to deal and qualities which will win over the confidence of the members.	6
54	Co-operative marketing in India should make a cautious start. No dogmatic statement can be made concerning the number of functions which a co-operative marketing society should undertake, the criterion being the economic possibilities of such undertaking.	8
55	An attempt should be made to market, within 10 years, 25 per cent of the total annual marketable surplus of agricultural produce through co-operative organizations and for this purpose, 2,000 marketing societies, 11 provincial marketing societies and an All-India Marketing Association should be established. These organizations should perform all such services as are necessary for effective marketing of produce like assembling, storing, financing, standardizing, selling and transportation.	
56	For the proper development of Indian agricultural economy, credit should be linked with marketing. To ensure this it is necessary that one of the conditions of loans given by a primary society (recommended in Chapter III), should be that each member will sell all the marketable surplus of his farm produce through the primary society.	20
57	The primary society should assemble the produce of its members, supervise and where necessary, arrange for its	20

Conclusions & Recommendations. No.		Paragraph No.
	transportation. The primary society may, after keeping an adequate margin, make payment to the member out of its own funds if they are sufficient, or out of the advance which may be taken from the marketing society or the central bank on the security of goods.	64
58	There should be a marketing society at each of the 2,000 mandies (wholesale markets) and, in any case, for roughly each group of about 200 villages. The main function of a marketing society will be to arrange for the sale of the members' produce to their best advantage. It may also undertake the functions of pooling, grading and processing. The ultimate objective of a marketing society should be to persuade its member to agree to pooling so that it may be able to discharge the functions of grading, and if necessary, processing. The marketing society may give an advance to the member after keeping an adequate margin at the time the produce is delivered to it. The produce will be kept in a warehouse or godown under the custody of the marketing society and the bank which may be financing it. The balance of the price will be paid to the primary society according to the method of payment adopted. Every marketing society should have at least one godown the whole cost of which should be met by a free grant from Government.	21
59	The Government should give a subsidy to the marketing societies for at least the first 5 years to meet the cost of the staff employed. This subsidy should be up to 50 per cent of the establishment charges for the first two years and 25 per cent thereafter till the fifth year.	21
60	A marketing society should ordinarily have a share capital of Rs. 30,000 ; every primary society which becomes a member should purchase shares worth at least Rs. 100, the rest being subscribed by individual members. Outright purchases should be made up to a maximum of five times the value of the share capital and reserves of the marketing society. The risks involved in outright purchases are great, although these may be minimized if effective measures for the stabilization of agricultural prices, as contemplated by Government, are taken.	21
61	Ordinarily, the marketing society should not hold over produce in the hope of a rise in prices ; but it may do so under extraordinary circumstances with the advice of the Provincial Marketing Society.	21
62	Agricultural products should be standardized and graded. For this purpose, the Government should place the services of an Inspector of the Agricultural Department at the disposal of the marketing society ; the cost of his employment should be borne by the Government.	21
63	The marketing society, besides performing the functions of sale societies mentioned above, should arrange for supplying consumers' stores, improved seed, fertilizers	21

Conclusions & Recommendations. No.		Paragraph No.
	and manure. The sale of these articles should be made through the primary society, wherever it exists.	
64	The agriculturist members of the committees of the regulated markets should be nominated by marketing societies.	21
65	Separate marketing societies may be organized to deal with important crops like cotton, groundnuts, sugar, wheat, rice and jute.	21
66	Where a sale society is unable to put up a processing plant itself, separate processing societies formed of such sale societies may be necessary. The funds required by them for the fixed capital should be provided by the Government as a loan repayable within not more than 20 years.	22
67	A provincial marketing society should be organized in each province in order to co-ordinate the working of the various marketing organizations, supply market intelligence and act as the export agency for inter-provincial and foreign trade. It should arrange to supply to village primary societies and marketing societies information as regards prices and stocks and arrivals in the main markets with which the latter have dealings. The Government should give as a free grant the cost of godowns required by the provincial marketing societies and should also give a subsidy for the first 2 years up to 50 per cent of their establishment charges and 25 per cent thereafter till the 5th year. The membership of the society should be open to village primary societies, marketing societies, central banks and individuals.	23
68	An All-India Marketing Association should be set up to co-ordinate the activities of the provincial marketing societies, to establish contact with marketing organizations, abroad, and to act as a clearing house of information on all aspects of agricultural marketing. The right time for the establishment of the Association should be decided by the All-India Council of Co-operation. The cost of the staff of this organization, when established, should be borne by the Government of India for at least the first five years ; afterwards the Government should give a grant to cover 50 per cent of the establishment charges.	24
69	A system of licensed warehouses should be established and legislation introduced for the purpose. The Provincial Co-operative Council should recommend the establishment of co-operative warehousing societies in suitable areas.	25
70	Godowns owned by the Central and provincial governments and the Defence Department and not required by them after the war should be handed over to co-operative marketing organizations after the war.	25
71	The Government in all the provinces should maintain an adequate staff for the organization, supervision and direction of the various marketing organizations.	26

CHAPTER VI

AGRICULTURAL CREDIT.

Conclusions & Recommendations. No.		Paragraph No.
72	The Gadgil Committee's analysis of the problem of agricultural credit in India is generally approved and it is emphasized that the expansion of the Co-operative movement will provide the best solution of the problem of rural credit in the country.	3
73	Credit societies will render greater service and ensure their own success if they do not confine their activities solely to the supply of credit but take up other activities as recommended in Chapter III.	3
74	In all provinces and states, the provincial co-operative banks or other co-operative financing institutions will be in a position to provide the agriculturist with all the facilities which are intended to be given by the Agricultural Credit Corporation suggested by the Gadgil Committee to provide finance to persons outside the Co-operative movement, if the same measure and type of aid proposed to be given to the Corporation are extended to them. In that case, there will not be any need for starting a separate organization like the Credit Corporation.	4
75	In reorganizing a provincial co-operative bank, it will be necessary for the State to provide it with a good deal of share capital, and also finance at a rate of interest which will enable the bank to advance loans to the ultimate borrower at not more than 6¼ per cent for short-term loans and about 4 per cent for long-term loans.	4

CHAPTER VII

SMALL AND SUBSIDIARY INDUSTRIES

76	The two main problems which must be tackled before any substantial and continuing improvement in rural welfare can be expected are the relief of the pressure of population on the resources by measures calculated to improve per man hour productivity in general, and the transfer of a substantial proportion of the large mass of population from farming to non-farming pursuits.	
77	The Government of India should undertake the tabulation of occupational statistics, furnishing thereby the distribution of labour in various kinds of industries, as, without accurate guidance, it is not unlikely that, while agricultural industry is relieved, its surplus population may be dumped on some already congested industries. One of the most important avenues of employment for the surplus population is small-scale and cottage industries.	2 & 3
78	Regional organizations to be called Regional Promotional Agencies, to foster the growth of small-scale and cottage industries and all subsidiary occupations should be set up in each province and State.	15

Conclusions & Recommendations. No.		Paragraph No.
	The area of operation of an Agency should be suitably selected with a view to entrusting it with just that volume of work which it can properly discharge. Large provinces should have more than one agency while small provinces may be served with only one agency at the start, though more agencies than one will be necessary when the work is in full swing.	
	The functions of the Agency will be to ascertain what small-scale and cottage industries exist in its jurisdiction and what facilities exist for marketing their products, to determine which of them should be maintained and encouraged and what new avenues of selling their products should be explored, to devise means to place those, which are to be encouraged, in such a position as will give a fair return to the workers, and to ensure that the products of these selected industries find an assured and remunerative market, etc.	13
	Further, the Agency should organize the supply to the workers of the necessary equipment, tools and plant and raw materials and arrange for the sale of the products.	17
	The Agency should pay particular attention to, the introduction to and use by industrial co-operatives of small electric motors and machine tools where the supply of electricity is cheap. The Agencies in electrically developed parts of India should investigate the possibility of supplying on hire-purchase system electric motors and the necessary equipment to the workers. The conclusions arising out of their investigations will be one of the items in the programme which the Agencies will submit to the Provincial Co-operative Council. In deciding whether a certain hydro-electric scheme should be undertaken or not, the Government should take into account the estimated demand of small-scale industries for electric power in addition to that of larger industries and for domestic use.	13
29	The Agency should hold an enquiry into the methods of supply of yarn to weavers, and report, within one year of its establishment, to the provincial Co-operative Council whether a spinning mill owned by co-operative handloom weavers' societies or the State should be set up in its region. If the mill is owned by the former, a loan at the prevailing Bank Rate and repayable within 20 years should be made by the State for the construction of buildings and purchase of machinery and other equipment, and for fixed capital generally. The State should also give a guarantee to the provincial co-operative bank for opening a cash credit account up to a fixed limit in favour of the spinning mill for one year from a date fixed by the State in consultation with the Regional Promotional Agency, which guarantee should be renewed from year to year so long as the State in consultation with the Regional Promotional Agency considers it necessary.	19
	Wherever schemes of hydro-electric development for the supply of light and power are in operation or come into operation, the Provincial Co-operative Council should	21

Conclusions & Recommendations. No.		Paragraph No.
	examine the possibilities of establishing and, if satisfied as regards their prospects of success, establish co-operatives for the distribution of electricity for light and power in rural areas.	
81	Women's co-operative societies should be organized by Regional Promotional Agencies, special arrangements being made for supplying raw materials and for marketing the products of the industries to their best advantage.	22
82	The Regional Promotional Agency should have a whole-time officer called a Promotional Officer, and a Board of Advisers. The Promotional Officer's chief qualification should be his aptitude for and sympathy with the Co-operative movement. He should also have business experience and possess knowledge, so far as possible, of the technical and organizational side of the industries with which he may have to deal. The post of Promotional Officer should have the same status and salary as that of a Joint Registrar. The Promotional Officer will be the chairman of the Board of Advisers and the chief executive officer of the Regional Promotional Agency. For administrative purposes, all Promotional Officers and Regional Promotional Agencies will be under the Registrar of Co-operative Societies or the Registrar of Industrial Co-operative Societies as the case may be. The Registrar should have, at all time, the right to attend any meeting of the Board of Advisers. The Board of Advisers should consist of not more than seven members, including the Promotional Officer.	23
83	The appointment of the Promotional Officer and members of the Agency should be made by Government. The appointment of the members should be on the nomination of the Provincial Co-operative Council. The Council should nominate two persons who are directly engaged in the chief small-scale or cottage industries of the region; one person who possesses knowledge of industrial finance, preferably of financing the industries flourishing in the region, and carries out his business in or has had business connexion with the region; one person who is engaged or interested in the wholesale trade of the products of local industries; and two persons recommended by the Registrar of Co-operative Societies or the Registrar of Industrial Co-operative Societies as the case may be (as referred to later) on the ground of special knowledge of the technical aspect of the industries, or markets, or finance, or business in general, these two generally being the expert advisers employed by the Industrial Co-operative Department for the supervision and guidance of small industries.	24
84	In course of time, when industrial co-operatives attain sufficient strength and stability, they should be encouraged to form their own federations. The federations should take over the functions first of the Board of Advisers of the Area Promotional Agency and later of the Board of the Regional Promotional Agency.	25

Conclusions & Recommendations. No.		Paragraph No.
	When the federations have assumed these functions, the appointment of members to the Board of Advisers of the Promotional Agencies should also be made by them, the qualifications of members continuing to be the same as before.	
85	The jurisdiction of the Regional Promotional Agency should be divided into a number of convenient Areas and each Area should be in the charge of a Deputy Promotional Officer. The Deputy Promotional Officer should be a whole-time government officer, appointed on the scale of Rs. 250-25-500-50-750. His qualifications should be possession of knowledge, generally, of business methods and commercial practices and, particularly of at least one of the important small industries in his Area.	26
86	To the Deputy Promotional Officer should be attached a Local Board of Advisers which should have the same number of members possessing the same qualifications as the members of the Regional Board; the members of the Local Board should be appointed on the recommendation of the Provincial Co-operative Council.	27
87	Each Deputy Promotional Officer should be assisted by about six Field Workers appointed by the Registrar on the recommendation of the Promotional Officer. They should be drawn, as far as possible, from the rank of the workers engaged in small industries in the locality and should possess sufficient technical and educational qualifications to be able to study the literature dealing with the industries in their charge. Their pay should be in the scale of Rs. 125-7½-200-10-250.	28
88	The Regional Promotional Agency will thus have a staff which will place at its disposal the material necessary for drawing up a programme for the development of existing and encouragement of new industries. At the same time as the Agency selects industries as suitable for development, it will prepare a statement of capital expenditure on the supply of machinery, tools and plant; of working funds required for raw material, and holding and marketing of finished products; and of estimates of profit and loss. The report on the industries selected, along with this statement, will form a programme which will be submitted for approval to the Provincial Co-operative Council. On approval, the Council will forward it to the Registrar who will obtain from Government such orders as may be necessary.	30
89	The entire cost of the Promotional Agencies should be borne by the State.	29
90	The existing arrangement, in most provinces, whereby administrative control over small industries is jointly exercised by the Department of Industries and the Department of Co-operation is not desirable and should be discontinued.	32
91	The Industries Department will not have the necessary qualifications, equipment or time to look after the	33

Conclusions & Recommendations. No.		Paragraph No.
	many-sided activities which it is proposed to be undertaken, in order to improve rural conditions by the organization of small-scale industries.	34
	The Co-operative Department should, therefore, be placed in charge of fostering the growth of these industries as it has the necessary qualifications for undertaking this responsibility.	
92	In provinces where the Registrar of Co-operative Societies may find it impossible to devote the necessary attention to rural industries, a separate Department should be created exclusively to look after the industrial development of rural population generally and the development of small-scale and cottage industries, whether in rural or urban areas, in particular. The head of this Department should be of the same status as the Registrar of Co-operative Societies and called the Registrar of Industrial Co-operative Societies and Director of Small Industries. The officer selected for this post should have had adequate experience in the Co-operative Department.	34
	Where the Registrar of Co-operative Societies undertakes the organization of small and subsidiary industries, he should be assisted with all the staff recommended.	
	In those provinces where the Registrar of Co-operative Societies remains in charge of small and subsidiary industries, a separate Joint Registrar should be appointed to assist him.	
93	At present and for a number of years to come, the financial assistance required by the industrial co-operatives for fixed capital and working expenses will have to be given by an outside agency. For the purpose of fixed capital like buildings and expensive capital goods, the State should give subsidies and advance loans at the Bank Rate of interest, repayable in 20 years. These subsidies and loans should be given through the provincial and central co-operative banks or through the co-operative industrial banks.	35
	So far as the funds for raw materials and working expenses are concerned, guarantees as in Madras and Bombay, should be given by all provincial governments, until such time as the industrial co-operatives are able to find their own funds. The marginal advance by and the cost of the guarantee system to Government will be comparatively small. The guarantee may be discontinued on the report of the Promotional Agency, confirmed by the Registrar, that the need for such Government assistance no longer exists. The supply of funds for raw materials and working expenses should be made by the provincial and central banks, where they exist and have sufficient resources. At those places where these banks do not exist or do not possess sufficient resources, or it is considered desirable to do so for any other reason, separate Co-operative Industrial Banks should be established exclusively to look after the financing of industrial co-operatives.	36
	As the industrial co-operatives should eventually provide their own funds, they should utilize their profits to build	37

up funds for two purposes, viz., (1) to repay loans and advances taken from Government for fixed assets or for use as a margin for working expenses, and (2) to provide for working expenses, replacement and expansion.

95 Questions such as what industries should be selected for the post-war period, what relative spheres should be assigned to small and large industries, whether markets should be reserved partly or exclusively for the products of small industries and whether tariff protection should be extended to certain small industries, should be referred to either a separate committee or to the Tariff Board which has been recently set up by the Government of India or to the permanent Tariff Board which may be constituted hereafter, for considering the question of protecting Indian industries from foreign competition. The Tariff Board should be specially charged with the duty of safeguarding the interests of cottage and small-scale industries. 38

96 As a contribution towards securing an assured and remunerative market for the products of small industries, Central and provincial governments should adopt a policy of purchasing for their requirements these products in preference to the products obtainable from any other source. 39

97 Ex-servicemen and war technicians should be encouraged to join industrial co-operatives, especially as many thousands of them have been and will be given training in small-scale industries. 40

98 Section 17 (2) (a) of the Reserve Bank Act should be so amended as to empower the Bank to give financial accommodation to provincial co-operative banks for advances and loans to industrial co-operatives, up to one year. 41

CHAPTER VIII

LABOUR AND CIVIL CONSTRUCTION.

99 From a study of labour co-operatives in foreign countries it is observed that :—

(a) co-operative method of work seems to be very suitable for a number of tasks on the construction of railways, roads and canals, levelling, ballasting etc. 8

(b) labour co-operatives should be generally composed of a small number of men, or of groups of small numbers of men,

(c) the co-operative group should have the right of choice of work-mates,

(d) the employer who engages into a contract with a labour co-operative society should prepare a schedule of the nature and quantity of work to be done and fix a price per unit.

Conclusions & Recommendations. No.		Paragraph No.
	(e) the employer should provide the necessary tools and equipment for the execution of the work; a certain deduction should be made from the payments to the society and kept as a deposit till the work is completed,	
	(f) contracts should be assured to labour contract societies and awarded to them at rates which enable an average workman to earn a fair wage,	
	(g) payment to the workmen should be made by the employer at short, regular intervals, a deduction being made from the payment in order to insure that the contract is not abandoned before completion, and	
	(h) the safeguard of a well organized federation is necessary to protect the rights of the co-operative societies, to check the prices fixed by the employer and to stop the co-operatives from undercutting one another or accepting conditions which may undermine the position of other workers.	
100	The G.H.Q., Scheme for Civil Construction Co-operatives is not entirely co-operative in character. The scheme may, however, be considered by the provinces and states for preparing their own schemes for the organization of Construction Co-operative Societies, particularly for the resettlement of ex-service personnel. The scheme should be modified to make it fully co-operative in character.	11
101	The Regional and Area Promotional Agencies (proposed in Chapter VII) should undertake the organization of labour co-operative societies for rural labour and secure employment by engaging them on village works during those parts of the year when agricultural employment is slack.	12
102	In organizing labour co-operatives for ordinary labourers, the model of those set up in Italy or New Zealand should be adopted. Labour co-operative should be generally composed of a small number of men. There is, however, no objection to co-operative societies being organized for a large number of men, but it will be necessary for them to work through small self-contained units.	12
	The Government and local bodies should give preference for contracts to labour co-operative societies.	12
	The Public Works Department should draw up plans and specifications and prepare schedules showing as accurately as possible the nature and quantities of the work to be executed. Contracts for such work should not be given by tender but by offer to a labour contract society. The schedule of rates should be so prepared as to permit a workman of average ability to earn a reasonable wage or the market rate whichever is higher.	13
	The Public Works Department should extend some tolerance and pass on unforeseen but necessary additions to expenditure incurred by a society, as it would have done if the work had been executed departmentally.	

Conclusions & Recommendations. No.		Paragraph no.
	it should also show tolerance in specification and standard of work, in the initial stages.	
105	Losses incurred by labour co-operatives must be financed by Government, at any rate for a period of time until they are finally established.	12
106	Materials required for the work should be supplied by co-operatives themselves so far as possible, as this will provide an additional source of profit and employment. When not manufactured by a co-operative employed on a work, materials should preferably be obtained from other co-operatives. This preference should also apply to additional services which may be required.	12
107	The Regional and Area Promotional Agencies (proposed in Chapter VII) should discharge the functions of a Federation, until it is set up.	12

CHAPTER IX.

CONSUMERS' CO-OPERATION.

108	The simplest organization to supply the consumer needs of the rural population is a consumers' society for each village or a group of villages. However, where the organization of independent consumers' society may not be justifiable at present, as many as possible of the satisfactorily working village primary societies should undertake stores business.	8
109	The village primary society undertaking stores business should	8.

(i) separate the stores section from the credit section,

(ii) deal, in the beginning, only in those commodities which are in daily demand,

(iii) purchase stock after preparing an estimate of demand with reference to established needs for a period of months or preferably after obtaining indents.

(iv) sell its goods for cash or against trade deposits, and, if at all it gives credit, restrict it to members and limit it to such amount that, together with credits given for other purposes, it does not exceed his total assessed credit-worthiness,

(v) not be prohibited from selling its goods to non-members,

(vi) distribute patronage dividends only among members,

(vii) encourage thrift among members by inducing them to leave their dividends with it as deposits or to convert them into shares, and

(viii) make constant effort to educate members in utility purchasing, i.e., buying goods that yield the best return for their price.

Conclusions & Recommendations. No.		Paragraph No.
110	Half the working cost of the stores section should be borne by Government for the first five years.	8
111	In the case of industrial undertakings and large employers of labour like railways, workers and other employees in each of them should have conveniently situated co-operative stores. In the working of such stores, the following features of similar organizations in Madras should generally be adopted, the features being :— (1) Credit trading is backed by the employer's undertaking to recover bills from wages. Often, the employer himself makes trade deposits in the name of the worker, effecting recoveries from wages in easy instalments. (2) The employers supply the society with funds whenever needed so that there is no outside borrowing. These advances carry a low rate of interest, and at times no interest at all. (3) The employers place at the disposal of the society the services, free of cost, of clerks, stationery, furniture, buildings, godowns, transport vehicles, etc. (4) On certain festive occasions, the employers subsidize sales at or even below cost price.	
112	In provinces, such as Madras, where the consumers' movement in urban areas has successfully established itself by starting with a number of unitary societies and later forming central societies of a federal character, this type of organization should continue and every endeavour should be made to expand the movement on these lines.	10
	In such provinces, a consumers' society on the Rochdale principles should be established in each town, the aim being to have one society for a population of about 5,000.	12
	These societies will draw the funds needed to run their business from their share capital and loans from central co-operative banks.	
113	The Co-operative Department should fix targets concerning share capital for various types of stores in accordance with local conditions. The Department should similarly prescribe limits for borrowing by societies. Half the cost of working a primary urban society should be borne by Government for the first five years.	12
114	For each group of about fifty conveniently situated urban consumers' societies and rural societies dealing in stores, a central society should be organized, to which they should be affiliated by purchase of a prescribed number of shares.	12
115	Half the cost of running a central society should be borne by Government for the first five years.	12
116	A provincial consumers' society should be organized to co-ordinate the work of the central societies and also to undertake inter-provincial trade and to collect and disseminate market intelligence such as that regarding	12

Conclusions & Recommendations. No.		Paragraph No.
	production and marketing centres and agencies in the province and outside.	
117	Half the cost of running a provincial society should be borne by Government for the first five years.	12
118	As regards the small co-operative stores organized in large numbers in towns and cities during the war, an active policy of amalgamation of these stores into a single town or city store should be pursued. The city store may use the present small stores as branches till the controls exist ; but when the controls are withdrawn, it may either deal through these branches or convert itself into a unitary store.	12
119	In provinces, such as Bombay, where co-operative organizations are likely to fail unless full advantage is taken of the economies offered by large-scale enterprise, the organization of consumer co-operatives should start with the establishment of a provincial society having branches spread over suitable regions, with local members and local committees.	11
	The provincial society should, as far as possible, combine in itself the functions of the primary, central and provincial societies.	13
	As its business is established and its position stabilized, it will gradually extend its services to other towns by opening branches. As the aim is ultimately to convert the branch organizations into independent societies, the parent institution should allow, consistent with efficiency, the patrons of each locality to man a local branch, and, when sufficient local interest has been aroused, it should offer to the local patrons the option of converting the local institution into a society of their own.	
120	The central and provincial consumer societies should purchase their requirements, when ever possible, from producer societies, preferably from those marketing goods in bulk.	14
121	To ensure fair terms of business and generally to harmonize the interests of producer and consumer societies in their mutual dealings, the Provincial Co-operative Council should constitute a Provincial Advisory Committee and other similar committees for suitable regions, to settle amicably questions relating to prices and other terms of sale in case of disagreement.	14
	The Provincial Committee should consist of the Registrar of Co-operative Societies as chairman, one representative of the provincial consumers' society, one representative of the Regional Promotional Agencies and one representative of the provincial marketing society. A Regional Committee should consist of a representative of the Registrar of Co-operative Societies to act as chairman, and one representative of the central consumer society, one representative of the marketing societies in the region and one representative of the Regional Promotional Agencies.	

Conclusions & Recommendations. No..		Paragraph No.
122	In all towns in which milk unions are established, consumers' milk distributing societies also should be established.	15
	The consumers' milk distributing societies, in order to have a large and growing membership, which constitutes one of the factors on which their successful working will depend, should not seek to attain it by restricting the sale of milk to members. The daily milk requirements of the consumers' milk distributing society should be supplied by the producers' union on the basis of a contract fixing the terms relating to quantity, quality, price, time of delivery, etc.	
	The society should arrange for pasteurization of the milk before distribution and also for processing any milk that remains unsold.	
123	The capital expenditure incurred by the society on pasteurizing and processing plants should be entirely met by the State.	15
124	Arrangements for distributing milk should be decided by the members of the society after taking local conditions into account.	15
125	Ex-Service personnel employed in R.I.A.S.C., Detail Issue Depots, Officers Shops, etc., will be very useful in organizing and managing consumers' co-operatives.	13
126	Each central consumer society is to be provided with a godown costing about Rs. 20,000 and each provincial consumer society with a godown costing about Rs. 50,000. This cost should be met entirely by Government as a free grant	17
12	The Co-operative Department should appoint the following staff to be in charge of the consumer movement in the province :—	17
	(i) An officer of Class I in charge of urban stores.	
	(ii) One auditor for every ten urban societies to audit, inspect and supervise them.	
	(iii) One audit party for every five central societies to audit, inspect and supervise them, each party consisting of one auditor and one assistant auditor.	

CHAPTER X

URBAN CREDIT.

128	Urban banks should be organized in all towns. It should, however, be ensured that they function on proper co-operative lines.	4
129	When urban banks receive deposits on current account they should (a) have a paid up share capital of at least Rs. 20,000, (b) maintain fluid resources on the scale prescribed by the Registrar of Co-operative Societies, (c) carry to the reserve fund at least 1/3rd of	

Conclusions & Recommendations. No.		Paragraph No.
	their net profits till it equals the paid up share capital, and thereafter at least ¼th of the net profits, and (d) invest the Reserve Fund in gilt-edged securities or deposit it in banks approved by the Registrar instead of using it in the business of the bank.	
130	Urban banks approved by the Registrar, should be allowed to collect salary, provident fund and pensions, a list of such banks being supplied for the purpose to the Treasuries concerned. Cheques drawn on these banks in payment of taxes should be accepted by the Treasuries.	4
131	The demand made by certain urban banks to convert themselves into joint-stock banks is unreasonable. However, Government should delegate some of the powers exercised by the Registrar such as inspection and supervision and determination of credit limits to a non-official federation of urban banks, particularly in those provinces where urban banking has made good progress and the banks are well managed. The Registrar must, however, in order to fulfil his statutory obligation, be placed in a position to revise the action of the federation either on his own initiative or on a representation made to him.	3 & 4
132	All offices employing fifty persons and more should organize employees' co-operative societies.	8
133	With a view to overcoming the difficulties created by the amendment to the Civil Procedure Code raising the non-attachable limit of salary from Rs. 20 to Rs. 100, the Co-operative Societies Acts should be amended on the lines of the amendment made in Bombay and Sind whereby if a member executes an agreement in favour of the society authorizing his employer to make deductions from his salary towards payment of the debts or other demands owing to the society, the employer is bound to make such deductions till the loan is fully repaid or the demand of the society satisfied.	8
134	Where separate societies for menials or low-paid employees are organized, the employers should assist such societies by providing the staff required for their managements, and by the grant of interest-free loans.	8
135	Credit societies should be organized in every mill or factory for providing the credit needs of its workers and also for promoting habits of thrift.	11
136	The factory workers' societies should be assisted by the employers by supplying the necessary staff for their management, by contributing towards their expenses, by giving loans free of interest or at a low rate of interest and by recovering the amount due to the society from the wages and salaries of the employees.	11
137	The Registrar of Co-operative Societies should work in close co-operation with the Labour Officer in organizing societies for promoting the welfare of workers.	11

CHAPTER XI.

HOUSING, HEALTH AND BETTER LIVING.

HOUSING.

Conclusions & Recommendations. No.		Paragraph No.
138	In any housing scheme, co-operative effort has an advantage over private enterprise because it is primarily concerned with the interests of its members.	3
139	In all schemes of town planning, a definite place should be given to co-operative housing and specific areas should be reserved for people belonging to low or middle income groups grouped into co-operative housing societies.	18
140	Whenever the Government, municipalities, improvement trusts and similar bodies have at their disposal lands to sell or lease for long terms, for the construction of houses, they should give them preferably to co-operative housing societies at favourable rates. The present policy of selling the land by auction to the highest bidder forces up prices and contributes to high rents to the detriment of poor and middle class people.	18
141	The Provincial Co-operative Council should organize, when it considers that conditions are favourable, a Central Co-operative Housing Society in each province, whose main function will be to grant long-term loans to housing societies mainly for the purchase of house sites and for the construction of houses. It may also purchase building materials on a large scale from wholesalers and supply them at reasonable rates to the housing societies. If it is to attract cheap capital and command sufficient funds to discharge the functions mentioned above, its debentures should be guaranteed by Government.	18
142	The finance required by the housing societies should be supplied on easy terms by the State or by insurance companies, preferably co-operative insurance societies, or in special cases, by land mortgage banks.	18
143	Althought the value of the entire property owned by a housing society may be large, the share of each individual member in it is small. If in levying taxes on a housing society the principle of progression is followed, it will operate to the detriment of the individual member who will be called upon to pay a rate much higher than what he would have to pay, if the rate were based on the value of his individual property. The taxes levied on a housing society should, therefore, be so calculated as to make full allowance for the fact.	18
144	The co-operative housing society should, as far as possible, engage the services of labour contract societies in its building operations. Labour construction co-operatives should undertake the preparation and supply of bricks and other materials and the construction of houses. Ex-servicemen with training in leadership should also organize Community	18

Conclusions & Recommendations, No.		Paragraph No.
	Welfare Centres on these housing estates, containing facilities for recreation, reading-rooms, etc.	
145	A co-operative society of tenants may be formed and may undertake to collect rents from the members who occupy tenements, particularly tenements belonging to Government or public bodies. Where the landlord is Government or a public body, arrangements may be made for the purchase of the property by the co-operative society.	18
146	The feasibility of providing rural houses on a co-operative basis should be examined by the Provincial Co-operative Council as soon as it is established. A co-operative housing society may be organized for a group of villages selected by the Provincial Co-operative Council or housing may be undertaken by the multi-purpose co-operative society operating in those villages. The houses may be taken over by the society and given on rent to members, option being given to them to purchase the houses occupied by them on hire-purchase system over a period of 20 to 30 years. Where there is a sufficient number of ex-servicemen and others in a village or a group of villages desiring to build new houses, separate rural housing societies should be formed.	19

HEALTH AND MEDICAL CO-OPERATIVES.

147	The needs for health and medical services in rural and urban areas differ widely. In rural areas there is a lack of medical amenities, while in urban areas they need to be supplemented on a large scale.	21
148	Provision of medical service, improvement of sanitation, control of epidemic diseases and the undertaking of other similar measures for improving the health of the population are primarily the duty of the State. It may, however, be long before a complete State medical service is available to the people for the prevention and treatment of diseases. Voluntary effort organized on co-operative lines can therefore play a useful part, in the meanwhile, in the furtherance of these objects and in supplementing State effort in these directions.	20
149	Pending organization by the State of medical services on a comprehensive scale, the State should help voluntary effort organized on co-operative lines for such purposes as the prevention and treatment of disease, clearance of jungles and swamps, reclamation of marshes, draining of pools and trenches, spraying of mosquito-infested areas with insecticides, etc.	25
150	For societies engaged in anti-malarial work, jungle clearance, reclamation of marshes, etc., the Army personnel which has been trained on up to date lines in the medical, sanitary and anti-malarial services will provide excellent members.	25
151	The State should initiate and work a subsidized scheme for rural health co-operatives, as in the Punjab, whereby	25

Conclusions & Recommendations. No.		Paragraph No.
	the latter will obtain for their members for a small fee the services of medical practitioners.	
152	Facilities should be provided to the rural co-operatives to obtain supplies of medicine through the State dispensaries and hospitals.	25
153	The State should meet the working costs of the rural societies to the extent of 75 per cent and grant subsidies to central organizations among them to ensure efficient supervision by them of the work of the primaries. Whatever the degree of assistance rendered by the State to co-operative organizations, the voluntary effort is likely to be limited and therefore needs to be supplemented by large-scale State action.	25
154	In urban and suburban areas, co-operative medical service societies should be established with as large a membership as possible. These societies have greater chances of establishing themselves in localities where co-operative stores societies already exist and where, owing to their existence, co-operative ideas have taken root. Such societies will derive their funds from an admission fee and a regular monthly subscription.	26
155	Life insurance companies should find it in their interest to assist voluntary associations which adopt special measures for the prevention of disease and its treatment in the earlier stages. The insurance companies may take a special interest in starting such societies among their policyholders by offering them rebates in insurance premium or direct medical assistance.	27
156	The Provincial Co-operative Council should take early steps to bring into existence co-operative health organizations, after arranging the details of the working of these bodies in consultation with the various interests concerned.	28

BETTER LIVING SOCIETIES.

157	The activities of better living societies should centre on some economic objective such as credit, marketing, provision of household requirements, etc. The reformed and reorganized village primary societies (mentioned in Chapter III) should undertake the functions of better living societies. Where this is not possible, separate societies may be started with returned service personnel and other village folk, both men and women, as members ; and when the co-operative idea takes root, their activities may be expanded and they may be converted into ordinary primary societies.	31

CHAPTER XII.

WOMEN AND CO-OPERATION.

158	The Co-operative movement has not paid sufficient attention to the special features of the position of women in Indian society.	1

Conclusions & Recommendations. No.		Paragraph No.
159	The participation of women is of particular importance for the success of activities engaged in by consumers' stores, industrial societies, co-operative dairies and voluntary health associations.	1
160	Women workers will be the best agency available to the Co-operative movement to further its programme of social reconstruction and betterment.	2
161	The Co-operative Department in each province should employ at least one Lady Assistant Registrar or Woman Special Officer to encourage women to join the Co-operative movement and to organize and supervise women's societies. The Department should employ for every 25 women's societies at least one woman welfare worker and the requisite subordinate staff to direct and supervise their working. There is already in existence a trained body of women welfare workers in the Army known as "Sevadanis". They should, if they are qualified, be preferred to others for employment in the Co-operative Department as lady welfare workers.	7
162	A special effort should be made to encourage women to join consumers' and better living societies.	7
163	In rural areas, women should be enrolled as members in the village primary society, but if in any locality their interests are likely to be better served by forming a society of their own, they may form a separate society.	7
164	Co-operative societies exclusively for women should be formed for the purpose of undertaking activities such as home industries and thrift. Maternity and child welfare, recreation clubs, and eradication of social evils, e.g., dowry, extravagant social expenditure, etc. may also be undertaken by them where special funds for these purposes are available.	7
165	In urban areas, women should be encouraged to join all types of co-operative activity, particularly health and medical societies and thrift and consumers' stores, and to participate actively in their management, by making, for instance, provision for special women's committees and for seats for women on the managing board.	7
166	The Regional Promotional Agency, the formation of which has been suggested in Chapter VII, should organize and assist women both in rural and urban areas to undertake home crafts and cottage industries such as tailoring, embroidery, knitting, lace-making, pickle-making, hand-spinning, hand-pounding of rice, basket-making, mat-weaving and making of various kinds of fancy articles. It should specially assist women belonging to the scheduled castes who are experts in making baskets, winnows, thatties, and other domestic and household goods. Further, it should arrange where necessary, training classes to teach all women simple home industries and arts.	7

CHAPTER XIII.

TRANSPORT.

Conclusions & Recommendations. No.		Paragraph No.
167	Transport co-operative societies composed of ex-servicemen and small owners of vehicles should be organized in different parts of the country and Government should place at their disposal surplus vehicles at nominal rates.	3
168	The Provincial Co-operative Council should watch the progress in the development of road construction and suggest to the Co-operative Department from time to time in what areas transport co-operative societies should be organized.	3
169	Passengers and goods traffic on new roads should be reserved for co-operative transport societies.	3
170	When a sufficient number of transport societies have been organized in a particular area, steps should be taken to organize them into unions for co-ordinating their activities specially as regards rates, freights and routes and for obtaining collectively their various requirements such as tyres, petroleum, lubricants, accessories, etc.	3
171	Machine shops should be organized on co-operative lines where necessary and Government should place at their disposal surplus machinery and tools at specially reduced prices. The possibility of converting after the war the ordnance factories and engineering workshops into manufacturing centres for the supply of tools and agricultural implements should be examined.	5
	In organizing machine shops, the services of Regional Promotional Agencies should be utilized.	
172	Attempt should be made, with the co-operation of the Country Craft Organization Officer, to organize co-operative societies at important centres of country craft building.	6
173	The Provincial Co-operative Council should examine the scope for organizing country craft societies on co-operative lines and select places where they should be organized.	8
174	The country craft societies should be supplied with better boats and in some cases diesel engines. Finance for this purpose should be supplied by Government.	8
175	The Provincial Co-operative Council should consider the question whether a particular area should be reserved exclusively for transport by country craft and should approach Government to have it closed to other forms of transport.	8

CHAPTER XIV.

CO-OPERATIVE INSURANCE.

Conclusions & Recommendations. No.		Paragraph No.
176	Simultaneously with the working out of plans for development, the State should foster any organization which is set up for enabling persons of small means to make provision for the future. What is required for the purpose is a co-operative society having contact with the masses of people in rural as well as urban areas through various types of co-operative organizations and issuing policies for small sums even below the present limit of Rs. 500.	1 & 4
177	In view of the importance of insurance schemes as part of a programme of social security, facilities for insuring low income groups must be provided, and the State should render full financial assistance, even if it is considerable. Further the State should pay a subsidy by way of contribution to the premiums on life assurance policies taken out in rural areas for Rs. 500 and below.	1
178	The agriculturists who are not indebted, should be persuaded to take out insurance policies particularly marriage endowments and whole life (limited payments).	5
179	As the cost of issuing small policies is likely to be comparatively high, the co-operative insurance society should utilize the services of other co-operative organizations so as to keep down the expense ratio.	1
180	The co-operative insurance society will have, in certain respects, to adjust its methods of business to suit the special requirements of the rural areas. In order to safeguard its interests, the society should lay down rules and conditions for the limitation of its risk during the first three years, but should accept full risk under the policy from the fourth year. Insurers should be persuaded, by offer of a liberal rate of interest on advance payments to pay premiums in advance in good years to forestall defaults in bad years.	6
181	The co-operative insurance society should prepare schemes of insurance to suit the special requirements of the borrowers of land mortgage banks, and members of primary and housing societies.	8 & 14
182	It may introduce depositors' insurance benefit scheme for the benefit of depositors and members of employees' societies, urban banks, and central and provincial co-operative banks.	10
183	The co-operative insurance society should specially try to insure the lives of industrial workers and should in this connexion seek the help of the employers and of the Labour Officer.	11
184	Co-operative insurance societies should frame group insurance schemes at an early date and introduce them for industrial workers.	12
185	Though the main object of the co-operative insurance society will be to extend the benefits of insurance to	13

Conclusions & Recommendations. No.		Paragraph No.
	small and middle class people, it should not refuse business from higher income groups, as the larger its business, the lower will be its expense ratio. However, the maximum limit for a policy issued by it should be Rs. 5,000 or in special cases with the approval of the Registrar, Rs. 10,000, provided that this limit should not apply to policies taken out to cover loans from land mortgage banks or housing societies.	
186	Provincial co-operative life insurance societies should be organized in all provinces.	14
187	Various co-operative organizations such as co-operative banks, factory workers' societies, consumers' societies and rural societies should actively take part with co-operative insurance societies in promoting insurance business among their members, e.g., by persuading their members to insure with co-operative insurance societies and collecting and remitting premiums on behalf of their members as commission agents.	14
188	In order to enable the co-operative insurance societies successfully to undertake insurance business among lower and middle classes and thereby encourage among them the habits of thrift, Government should pay them interest at 1 per cent above Reserve Bank Rate, in respect of the statutory deposits and that proportion of their liabilities which have to be invested in approved securities. The interest earned by these societies on all their investments should be exempted from payment of income-tax.	14
189	An All-India Fire and General Insurance Society should be organized having on its board of management representatives of different provinces as well as of different interests. The working of the society will be very much facilitated if it sets up local boards with authority to accept proposals as well as to settle claims within limits fixed by its central board.	18 & 19
190	The Registrars of Co-operative Societies should advise all co-operative societies to deal with the all-India co-operative insurance organization when it is formed in matters relating to fire and general insurance business.	18
191	The Fire and General Insurance Society of Madras may be amalgamated with the all-India organization when it is established. If there is any objection against this proposal it may continue as a separate and independent organization, but in that case, competition should be avoided by excluding Madras from the area of operations of the all-India organization.	20
192	The existing conditions are not suitable for entrusting the business of cattle insurance to co-operative societies. The provincial governments should, therefore, make an experiment in that direction on the lines set out in the Report. After sufficient experience has been gained, the question of giving the insurance business a co-operative form should be considered.	26 & 27
	When cattle insurance is organized on co-operative lines, arrangements for re-insurance should be made either	

with the Government or with re-insurance societies organized for the purpose.

193 In the present circumstances, crop insurance is beyond the scope of private agencies or co-operative organizations. A scheme of crop insurance should, therefore, be undertaken experimentally by the State. The nature, size and scope of each experiment should be determined by statistical experts who have experience of crop estimating. The funds required for these experiments should be estimated in consultation with agricultural and actuarial experts and provided by the Central Government. The War Risks Insurance (Goods) Fund of the Government of India estimated to amount to over Rs. 21 crores provides a useful source for meeting the cost of these experiments. 31

CHAPTER XV

ADMINISTRATION AND LAW.

ADMINISTRATION.

194 If the Co-operative movement is to be developed on comprehensive lines and is to make proper contribution to the economic development of the country and the raising of the standard of living of the people, the essential requirements, inter alia, are the equipment of the Co-operative Department in each province with adequate and right type of personnel, the increasing participation of non-officials in the movement and the forging of a link between the non-officials and the State represented by the Department of Co-operation and other nation-building departments. 1

195 The Co-operative Department should be properly equipped not only for discharging efficiently its present duties but also for undertaking the increased responsibilities placed on it by the plans of development proposed in the Report. 2

196 It will be an advantage if the officers of the Co-operative Department in the various provinces are, as far as possible, uniformly designated. 2

197 As the importance of the Registrar is likely to be considerably increased in the scheme of co-operative development proposed in the Report, special care should be exercised in his selection. He should be a man of outstanding ability and temperamentally suited for the work of running a popular movement of this kind. Before he assumes charge of the post, he should undergo a thorough training and should work for at least two years as Deputy or Joint Registrar. During the course of his training as well as during his tenure of office he should be allowed opportunities to study the working of the movement in other provinces and outside India. 3

The Registrar should ordinarily be an officer of the Indian Civil Service or the Provincial Co-operative Service.

Conclusions & Recommendations. No.		Paragraph No.
	In view of the responsible nature of the duties of the Registrar, he should enjoy a higher status than he does at present; he should rank with the heads of such departments as Police and P.W.D. for general purposes.	
	The tenure of office of the Registrar should be for about ten years. As such a long term of office is likely to make the officer senior enough to be due for promotion to posts carrying higher emoluments, he should be fully compensated for holding the post till the end of the term.	
198	The staff of the Co-operative Department should be properly trained and in order to attract persons of high qualifications to the Department, its officers should enjoy the same status and draw pay on the same scale as officers of the Revenue Department.	4
199	The work of organizing new societies should be entrusted to the non-official organization suggested for undertaking the work of supervision. The practice of appointing honorary organizers should be more actively followed.	5
200	✓ The most popular systems of supervision obtaining in the various provinces are two. One is a federation of co-operative societies formed for a province and maintaining an adequate and efficient staff. Such a federation derives its income from contributions from societies and subsidies from Government. It gives adequate representation to co-operative societies which are to be supervised and conforms to the co-operative ideal of mutual help. This type of provincial co-operative federation for supervision is the most desirable one and where such a federation or institute or union exists or can be organized it should be entrusted with the work of supervision. Government should provide it with sibsidies, large enough to enable it to meet its expenses without levying unduly heavy contributions on the societies which may lead to an enhancement of the lending rate to the ultimate borrower, above 6¼ per cent. In the present circumstances, as the majority of co-operative societies are not properly developed, and as a rapid programme of expansion is contemplated by us, the entire cost of supervision in many areas may have to be borne by Government. With a view to providing increased representation for co-operative societies and with a view to improving administrative efficiency, it is desirable that the federation should decentralize its functions and entrust them to local units constituted for convenient areas. These units may either be branches of the federal body or they may themselves be the primary units which may be federated together into the provincial federation. The second system is the one in which central banks themselves supervise affiliated co-operative societies. This system is open to the criticism that the financier's interest is likely to preponderate over the interests of societies which are to be supervised, and may therefore lead to their decay. This criticism of combining supervision and finance in one and the same institution, however, loses its force when	6

Conclusions & Recommendations. No.		Paragraph No.
	the financing institution itself consists largely of representatives of societies to be supervised, as in Madras. This system may be adopted in provinces which find it suitable and the subsidies recommended to be given to the provincial co-operative feredation, should be given to the central banks which undertake the supervision.	
201	The function of inspection should continue to be performed by the Registrar as it will also help him to keep in close touch with the working of the movement; but as the movement develops and non-officials are trained up to undertake increased responsibility this function should also be gradually transferred to non-official bodies.	7
202	Audit of societies should remain one of the statutory duties of the Registrar. He may, however, delegate this function to non-official federations or institutes, who should maintain a staff of duly qualified auditors for auditing the smaller societies. For the larger societies and central banks the Registrar may assign the audit to auditors placed by him on a panel.	8
203	The practice of combining the functions of audit and supervision in one person is undesirable as it is likely to lead to inefficiency.	8
204	The classification of societies should not be published in the official gazettes.	8
205	In order to implement the various plans of development recommended in this Report, a certain increase in Government supervision is inevitable in initial stages, but this control should be viewed only as a temporary expedient for assisting, guiding and training up the workers and must be so exercised as gradually to disappear.	9
206	As the most important requisite for the development of the movement and for giving it stability and permanence is the stimulation of interest among the people in order to make them run it themselves, the Co-operative Department should encourage non-officials to participate in the development of the movement with a view ultimately to handing over the entire working of societies to them.	10
	The various non-official institutions like institutes and unions existing in almost every province should be greatly strengthened so that they may be able to perform more efficiently the important functions of educating and organizing non-official opinion and providing an effective medium for the expression of public opinion and generally promoting the common interests of the movement. The institutes should be non-official federal bodies ; but they should be liberally subsidized by the State to enable them to perform their functions.	
207	An important requisite of co-operative progress is the establishment of a living link between the non-officials and the State represented by the various nation-building departments. The State will require an organization which will continuously prepare projects of economic development and devise co-operative methods for	11

Conclusions & Recommendations. No.		Paragraph No.
	their implementation. Such an organization should include the best and most constructive elements in the province, and establish close and continuous association between Government officers in the nation-building departments, co-operative workers and leading non-officials.	
208	Every province should provide itself with such an organization by setting up a body, which may be known as the Provincial Co-operative Council. The Council should be under the chairmanship of the provincial Minister-in-Charge of Co-operation, the duties of Secretary being discharged by the Registrar of Co-operative Societies with the assistance of a full-time Assistant Secretary.	11
	The Assistant Secretary should be an officer of the status of a Joint Registrar, or any other person who has had long experience of the Co-operative movement.	
	As regards the membership of the Council non-officials should be in a majority.	
	The functions of the Council will be to formulate plans and policies for the development of the movement in the province and to initiate and approve of experiments on subjects relating to Co-operation. It will meet twice a year or oftener, if necessary.	
	There should be an executive committee for the Council.	
209	The entire funds required by the Council should be provided by the provincial government. It will need funds to meet its recurring expenditure and to make grants and subsidies to co-operative institutions organized for special activities or undertaking special work such as co-operative farming, cattle-breeding, etc., at the instance of the Council. These grants and subsidies will be in addition to those administered at present by the Registrar of Co-operative Societies.	11
	The grants will be given on the recommendation of the executive committee.	
	For the first 5 years the provincial government should grant to the Council a sum of Rs. 5 lakhs per annum for making these subsidies. In subsequent years, the financial requirements of the Council should be provided for in a budget which should be submitted for the sanction of Government.	
210	There should be co-ordination of effort not only between officials and non-official agencies but also among the various development departments of the State on an all-India basis. With this object in view, an All-India Council of Co-operation should be set up.	12
	The Council will consist of two parts, a Governing Body which will have the management of all the affairs and funds of the Council, and an Advisory Board, which will advise the Governing Body on all proposals sent by it.	
	The functions of the All-India Council of Co-operation would be generally to watch, guide and foster co-operative development in the country and to advise the	

Conclusions & Recommendations. No.		Paragraph No.
	different provinces and states on various matters relating to agricultural co-operation, industrial co-operation and co-operative marketing, etc., and on the applicability of co-operative methods for carrying out schemes of improved farming, cattle-breeding, etc., that may be suggested by the Imperial Council of Agricultural Research or by the Indian Central Cotton Committee and similar bodies. It will also work as a clearing house of information for the country on all matters relating to the Co-operative movement.	
211	The working cost of the Council will approximately be Rs. 1·77 lakhs per annum. The Council will require funds for making grants to the provinces for encouraging experiments and development of new types of co-operative activities. A sum of Rs. 20 lakhs may be placed at its disposal by the Government of India for the first 5 years; the amounts to be placed at its disposal in subsequent years should be determined in the light of the experience gained from year to year.	12

CO-OPERATIVE LAW.

212	The experience of the working of the Co-operative Societies Act of 1912 and the Acts passed by the provinces has shown that they stand in need of revision in certain respects. It is necessary that the defects in the laws should be removed so as to facilitate the smooth working of the plans. The provinces in which the Co-operative Societies Act, 1912, is still in force should pass special acts keeping in view their past experience and the future needs of the movement. The provinces which have already special acts should examine their provisions and bring them up todate.	13
	The provincial governments should also examine other acts which have a bearing on the Co-operative movement and amend them suitably. Where such an Act falls within the legislative jurisdiction of the Central Government, they should take necessary steps to amend it.	
213	The definition of the word 'Registrar' in Section 2 of the Co-operative Societies Act, 1912, should include the Registrar of Industrial Co-operative Societies and Director of Small Industries.	13
214	In view of the considerations set forth in Chapter III, a society may be permitted to adopt limited or unlimited liability. Again, a provision should also be made in the Act enabling societies to change their liability.	13
215	A specific provision for appeal against refusal by the Registrar to register a society should be made in the Act as is the case with regard to an order cancelling the registration of a society.	13
	The Registrar should ordinarily register all amendments which are in conformity with the Act and Rules. In cases where he rejects an amendment he should assign reasons therefor and an appeal to Government may be filed within two months after the rejection.	13

Conclusions & Recommendations. No.		Paragraph No.
217	A specific provision should be made for splitting a society into two or more societies and also for amalgamating two or more societies into one without having to liquidate them first.	13
218	Section 13 of the Act should be amended so as to provide that every member of a society whatever its liability, shall have one vote irrespective of the shares held by him. In the case of societies having an extensive area or large membership a representative assembly may be constituted composed of delegates elected in separate constituencies of members set up on a regional basis or according to the number of members.	13
219	The lien under Section 19 given to a co-operative society on certain properties of the borrower should be converted into a first charge and its wilful breach should be made a criminal offence. The lien in respect of loans granted for seed or manure, extends only up to eighteen months. This period is inadequate and it should be extended to two years.	18
220	Under Section 23 of the 1912 Act the liability of a past member for the debts of a registered society as they existed at the time when he ceased to be a member continues for a period of two years from the date of his ceasing to be a member. Under Section 24 of the Act the estate of a deceased member, however, is only liable for a period of one year from the time of his decrease for the debts of a registered society as they existed at the time of his decease. Experience shows that the period of one year is too short ; it should be extended to two years as has been done in Madras. Similarly, it should be clearly laid down that from the date of cancellation of a society, the liability of all members remains as it existed at the time of cancellation and cannot be extinguished by lapse of time. A member who resigns from the society 1½ years before its liquidation should not be permitted to escape all liability six months later as he would have done had the society not gone into liquidation. All the members of the society on the date of cancellation should continue to be liable for its outside liabilities till they are discharged. Similarly, all persons who ceased to be members less than two years before the date of cancellation should continue to be liable for the outside debts of the society.	18
221	A provision should be enacted to permit urban banks with a paid up capital and reserve of Rs. 50,000 and over and with ten years' standing to invest up to 40 per cent of their surplus funds in such manner as their boards may unanimously determine.	18
222	Any dispute about a person being or not being a member of the society should be referred to the Registrar whose decision should be final. No dispute of this nature should be cognizable by a civil court.	18
223	It is necessary to provide for the appointment of a liquidator to manage the society's affairs till the appeal	18

against the cancellation order is rejected or accepted as has been done in Sections 47 and 49 of the Bombay Act.

The liquidator should be equipped with adequate powers like the power of issuing subsidiary orders, determining the contributions to be made by members from time to time, etc., and should be authorized to carry on the business of the societies while under liquidation.

No liquidator should determine the contribution, debt or dues to be recovered from any person without giving him an opportunity to be heard.

224 It is necessary to provide for attachment before award. The attachment should be by order of the Registrar as has been done in Section 50 of the Madras Act, and Section 55 of the Bombay Act. 13

225 As a general rule, the Registrar and his officers should either be given powers of civil courts or in the alternative, dues of co-operative societies should be recovered as arrears of land revenue. In the latter case the Collectors should be asked to depute special officers for this work in order to expedite recoveries. 13

226 It is necessary in the interest of justice to give the Registrar power to call for the record of any case pending before or disposed of by any arbitrator or arbitrators and pass such orders as he thinks fit. Full opportunity to the parties must, however, be given before any such order is passed. In cases where such action is being taken, the Registrar may order the court in which such an award is pending for execution to stay the execution proceedings and may call for the file of the case. 13

227 No civil court should entertain any case regarding the affairs of a co-operative society except on the question of jurisdiction.

228 The question whether the Indian Limitation Act applies to awards of arbitrators under the Co-operative Societies Act should be examined and the law on the point made clear. 13

229 Co-operative societies should as far as possible be exempted from the provisions of different provincial debt legislation acts in order to enable them to play their legitimate part in the economic life of the country. 13

230 Steps should be taken to ensure complete exemption to the societies from stamp duty, whether leviable by the Central or provincial government and the registration fees. Provincial governments should refund to primary societies 75 per cent of the money order charges paid by them in regard to the remittances to their co-operative financing institutions. 13

231 Salary earners' societies and consumers' stores should be exempted from the provision of Section 60 of the Civil Procedure Code, as amended by Act No. 5 of 1943, under which salary to the extent of the first 100 rupees and one-half of the remainder is exempt from attachment 13

Conclusions & Recommendations. No.		Paragraph No.
232	The Act should be amended on the lines of the amendment made in Bombay whereby if a member executes an agreement in favour of the society authorizing his employer to make deductions from his salary towards payment of the debts or other demands owing to the society, the employer is bound to make such deductions till the loan is fully repaid or the demand of the society satisfied.	13
233	If some landowners who are likely to benefit by the scheme of minor irrigation works [recommended in para 2 (viii) of Chapter III] of a society refuse to join the latter, the Collector of the district should be empowered to make a proportionate levy of the cost on them and recover the same as arrears of land revenue.	13
234	The Reserve Bank of India Act should be so amended as to increase the maximum period for rediscounts under Section 17 (2) (b), and for advances under Sections 17 (4) (c), and 17 (4) (d) to twelve months. The word "crops" occurring in the three sub-sections of Section 17 of the Reserve Bank of India Act should be defined or the scope of the sections widened so as to include animal products like milk, cream, butter, ghee and wool, and processed crops like sugar, cotton which has been ginned and pressed, groundnuts which have been decorticated, and vegetable oils and oil-cake. Section 17 (2) (a) of the Reserve Bank of India Act should be amended so as to empower the Bank to give financial accommodation to provincial co-operative banks for a period up to twelve months for making loans and advances to industrial co-operatives.	13

CHAPTER XVI

EDUCATION, TRAINING AND RESEARCH.

235	The inadequate and uneven progress made by the Co-operative movement in India is largely due, among other things, to the lack of general education among those whom it seeks to serve. If the Co-operative movement is to develop on a sound basis and to expand in diverse directions, it is necessary not only to spread general education but also to make members of societies conversant with the principles and practice of Co-operation.	11
236	General education is a function of the State. The Co-operative movement can, however, make a contribution in spreading general knowledge by arranging in villages a regular series of talks on subjects of general or topical interest delivered by a few paid workers assisted by a much larger number of non-official social workers. These talks may be arranged by the provincial co-operative institutes or unions. To make the talks attractive, they may be interspersed with "Kathas", dramatic performances or musical interludes or displays of lantern slides or films of instructional or general interest.	11

Conclusions & Recommendations. No.		Paragraph No.
237	It is necessary for the continued success of the movement to infuse the ideals of Co-operation into the minds of young boys and girls and to lay before them the outlines of the work done by the Co-operative movement. For this purpose, lessons on Co-operation should be included in the series of Readers in the regional languages in schools. These lessons should be supplemented by a working knowledge of the principles of Co-operation by organizing small co-operative stores and canteens in every school. Similar stores and canteens should be attached to colleges and universities also.	11
238	Constant opportunities should be provided to students to work together in groups so as to develop in them the spirit of Co-operation. Every school should have a garden and a small farm which should be run by students. Handicrafts and games which develop the spirit of team work should be encouraged on a very large scale.	11
239	Co-operation should be recognized as one of the optional subjects of study for the degrees of Bachelor and Master of Arts, Commerce and Agriculture.	11
240	Instructions in principles and practice of Co-operation should form an integral part of the peace-time educational syllabus of each of the Defence Services.	11
241	Co-operative training is required for (1) members of managing committees of rural co-operative societies, (2) secretaries of rural co-operative societies, (3) staff of co-operative institutions, (4) staff of co-operative departments, and (5) research workers. There are organizations in all provinces, e.g., institutes, unions or federations imparting this training in various degrees. The training of persons belonging to classes (1) and (2) and some of (3) and (4) above may continue to be imparted by these organizations wherever they exist.	12
242	As regards the training of members of managing committees of rural societies, classes of a short duration, not exceeding a fortnight should be held at the taluka headquarters or convenient centres. The members should not be required to undergo a test by examination.	12
243	The secretaries of primary societies should be trained for a period of six weeks at district headquarters or convenient centres. They should be paid a stipend to meet their additional expenses during the period of training. An examination should be held at the end of the period and a certificate given to successful candidates. It will be advisable to hold refresher courses from time to time for the successful secretaries in order to keep up to date their knowledge of co-operative practice and principles.	12
244	The training of the staff of co-operative institutions and departments is so important that separate colleges should be set up in each province for them, facilities being provided where necessary for imparting training in all principal languages of the province. It is undesirable to have training colleges exclusively for the employees of the Co-operative Department. It is desirable	12

Conclusions & Recommendations. No.		Paragraph No.
	that both official and non-official co-operators should be trained together.	
245	The College should be under a separate governing body composed of one representative each of the Provincial Co-operative Bank and the Provincial Co-operative Institute, the Registrar of Co-operative Societies, two Professors to be nominated by the University, and two other non-officials to be nominated by Government.	13
	The Provincial Co-operative Colleges should have a well-qualified and adequate staff, the principal being of the rank of a gazetted officer. The principalship should not be necessarily reserved for an officer of the Co-operative Department as a successful co-operative officer may be a good administrator but not a good educationist. Besides the Principal there should be at least 3 Professors of the same rank as those in Government colleges.	
246	No course of training should be considered complete without a period of at least six weeks, of field work.	13
247	For the employees of the Co-operative Department, such further departmental training as may be considered necessary may be arranged for by the Department.	13
248	For the success of the Co-operative College it is necessary that Government should accord definite recognition to the examination conducted by it. To this end, the affiliation of the College to the University is desirable.	13
249	No new staff recruited to the Co-operative Department or co-operative organizations should be confirmed unless the recruits have passed the examination and obtained a certificate from the College.	13
250	The cost of the College should be met by the provincial government.	13
251	The syllabus of the various courses of training should be carefully drawn up.	14
	The members of the managing committee of the primary society should be taught the principles of Co-operation and their application to the various aspects of the economic life of the people in the rural areas. The by-laws of the society with special reference to those dealing with the duties of the committee should also be explained to them.	
	The syllabus of the secretaries' classes should consist of the Principles and Practice of Co-operation, by-laws, rules and provisions of the Co-operative Societies Act, and in particular, Book-keeping and Accountancy.	
	The courses of studies for the departmental staff should include Rural Economics, Principles and Practice of Co-operation in India and abroad, Co-operative Law, and certain relevant provisions in the Civil and Criminal Law, Accountancy, Auditing, Co-operative Finance and Banking, Modern Economic Development and Business Organization.	

Conclusions & recommendations. No.		Paragraph No.
	Greater attention should be paid to the training of the co-operative staff in banking than has been done hitherto.	14
252		
253	Wherever possible, arrangements should be made for the training of the higher staff of the Co-operative Department and the co-operative banks with a commercial bank for about 3 months.	14
254	The syllabus for the classes of the staff of the co-operative institutions should include, besides Rural Economics, Principles and Practice of Co-operation and Co-operative Law, special training in the particular activity in which the institutions are engaged.	14
255	Though in India co-operative ideas and methods have been borrowed from other countries, there has been lacking a comprehensive study of their applicability to the facts of Indian life, and of how they are to be fashioned to meet its needs.	15
	The Provincial Co-operative Departments are too much immersed in humdrum duties of the daily routine and have little time for study and reflection, and their organization has assumed a form and a tradition which do not allow the growth of the spirit of research. Co-operative research is much beyond the range of the ordinary field worker, whether official or non-official and requires a special band of scholars and students assembled in the calm and detached atmosphere of a Research Institution.	
	The Government of India should establish an All-India Co-operative Institute of Advanced Studies and Research.	15
256	The Institute will serve two purposes, viz., of providing facilities for advanced studies and of organizing research. Every person joining the Institute for higher studies should attend a course of lectures on Economics and Sociology.	
	The largest number of seats (i.e., 60 per cent) in the Institute should be reserved for the students who belong to a Co-operative Department or are nominated by a Provincial Co-operative Institution and the remaining seats being reserved for meritorious post-graduate students who have had previous training in economic and commercial subjects.	
257	The Research Scholars should be given a scholarship by the Government of India if they are not already in service.	15
258	Side by side with the facilities for advanced studies, the Institute should undertake and organize research work in different branches of Co-operation. The largest number of subjects for research will be those selected by the authorities of the Institute, but the Institute should be prepared to undertake research on special subjects referred to it by the provinces or constituent Indian States.	15
259	The diplomas issued by the Institute should be an additional qualification for employment in Government and co-operative service.	15

Conclusions & Recommendations. No.		Paragraph No.
260	The Institute should be placed under the All-India Council of Co-operation when the Council is established, in accordance with the suggestion made in Chapter XV; and, in the meantime, it should be under the Government of India, which should bear all its cost. The Institute should be organized in seven sections, viz., (1) Theory of Co-operation, (2) Agricultural Co-operation (including Animal Husbandry), (3) Industrial Co-operation, (4) Consumers' Co-operation, (5) Co-operative Finance, (6) Co-operative Marketing, and (7) Statistics.	15
261	The head of the section of the Theory of Co-operation should be the Director of the Institute. The lecturers on the subjects of Economics and Sociology, should be attached to him.	15
	He should be a person of outstanding merit. His salary should be on a scale of Rs. 2,000-2,500 per mensem.	
	No appointment to this post should be made if a person of the required qualifications is not available.	
	The heads of the other sections should also be persons of high achievement in the field of research.	
	The tendency of selecting persons on the basis of their academic degrees only is deprecated. The heads should be appointed entirely on the merit of their actual research work. A post should not be filled up if the Institute cannot find a person who is qualified to give the work of his section a true bias of original research.	
	In the beginning, the heads of the sections should not stand in need of assistants, but, if they do, the assistants should be recruited in accordance with the demand made by each Head and approved by the Director. They will, however, stand in need of field workers who should be appointed as may be necessary. The detailed field work must necessarily be undertaken by each province through its Co-operative Department or co-operative institutions.	
262	The question of location of the Institute should be decided by the Central Government.	15

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